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

2021 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gu Dorson *(Chairman)*[1]
Ms. Ping Guoqin[2]

Non-executive Directors

Ms. Wang Huili
Ms. Wu Wen

Independent Non-executive Directors

Mr. Lui Wai Ming
Mr. Zhang Zhenyu
Ms. Li Yuping[3]

COMPANY SECRETARY

Ms. Chu Cheuk Ting[4]

AUTHORIZED REPRESENTATIVES

Mr. Gu Dorson *(Chairman)*[1]
Ms. Ping Guoqin[2]

AUDIT COMMITTEE

Mr. Lui Wai Ming *(Chairman)*
Mr. Zhang Zhenyu
Ms. Li Yuping[3]

REMUNERATION COMMITTEE

Ms. Li Yuping *(Chairlady)*[3]
Mr. Gu Dorson[1]
Mr. Lui Wai Ming
Mr. Zhang Zhenyu

NOMINATION COMMITTEE

Mr. Gu Dorson *(Chairman)*[1]
Mr. Lui Wai Ming
Ms. Li Yuping[3]
Mr. Zhang Zhenyu

RISK MANAGEMENT COMMITTEE

Mr. Gu Dorson *(Chairman)*[1]
Mr. Lui Wai Ming
Mr. Zhang Zhenyu
Ms. Li Yuping[3]

EXECUTIVE COMMITTEE

Mr. Gu Dorson *(Chairman)*[1]
Ms. Ping Guoqin[2]

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rm. 2001, 20/F
Tower 2, Lippo Centre
No. 89 Queensway
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Room 1601-05, 16/F, Building A
No.100 Zunyi Road
Changning District, Shanghai
The People's Republic of China

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

1. As Ms. Baixuan Tiffany Wang needs more time to deal with her personal matters, she resigned as the Chairlady of the Board, the executive Director, a member of the Remuneration Committee, the Chairlady of each of the Nomination Committee, the Executive Committee and the Risk Management Committee and the authorised representative on 10 June 2021. Mr. Gu Dorson resigned as the Chief Executive Officer and was appointed as the Chairman of the Board, the Chairman of each of the Nomination Committee and the Risk Management Committee and a member of the Remuneration Committee, and re-designated from a member to the Chairman of the Executive Committee with effect from 10 June 2021.

2. Ms. Ping Guoqin was appointed as an executive Director, a member of the Executive Committee and the authorised representative on 10 June 2021.

3. As Dr. Wu Chun Wah intended to devote more time to his personal matters, he resigned as an independent non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee, the Nomination Committee, the Risk Management Committee and the Special Committee of the Board, all with effect from 28 March 2021. Ms. Li Yuping has been appointed as an independent non-executive Director, the Chairlady of the Remuneration Committee, a member of the Audit Committee, the Nomination Committee, the Risk Management Committee and the Special Committee of the Board, all with effect from 28 March 2021.

4. Ms. Chu Cheuk Ting was appointed as the company secretary on 21 January 2022.

HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS
As to Hong Kong law:
Raymond Siu & Lawyers
Units 1802 (Reception) & 1302, Ruttonjee House
11 Duddell Street
Central, Hong Kong

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

AUDITOR
BDO Limited
Certified Public Accountants
25/F, Wing On Centre
111 Connaught Road
Central, Hong Kong

STOCK CODE
03666

COMPANY'S WEBSITE
www.xngholdings.com

INVESTOR RELATIONS
Mr. Ding Yuli
Email: ir@xngholdings.com

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2021	2020	increase/(decrease)
Revenue (RMB'000)	**691,517**	644,386	7.3%
Gross profit[1] (RMB'000)	**468,815**	436,728	7.3%
Gross margin[2]	**67.8%**	67.8%	0.0%
Loss for the year (RMB'000)	**(87,778)**	(320,528)	(72.6%)
Net loss margin[3]	**(12.7%)**	(49.9%)	37.2%
Loss Per Share – Basic (RMB cents)	**(3.9)**	(15.0)	(74.2%)
Total assets (RMB'000)	**530,765**	595,984	(10.9%)
Net assets (RMB'000)	**35,691**	119,391	(70.1%)
Cash and cash equivalents (RMB'000)	**78,453**	113,376	(30.8%)
Net cash[4] (RMB'000)	**47,201**	74,381	(36.5%)
Account receivables turnover days[5] (days)	**6.6**	8.1	(18.8%)
Accounts payable turnover days[6] (days)	**95.2**	146.1	34.8%
Inventory turnover days[7] (days)	**21.3**	33.3	(35.9%)
Cash cycle[8] (days)	**(67.3)**	(104.7)	(35.7%)
Gearing ratio[9]	**72.0%**	48.3%	23.7%
Return on equity[10]	**(113.2%)**	(112.5%)	(0.7%)
Return on total asset[11]	**(15.6%)**	(39.3%)	23.7%
Number of restaurants[12] (as at 31 December)	**53**	59	(10.2%)

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. Net cash represents cash and cash equivalents minus interest bearing bank loans.
5. Equivalent to 365/(revenue/annual average receivables).
6. Equivalent to 365/(cost of sales/annual average payables).
7. Equivalent to 365/(cost of sales/annual average inventories).
8. Equivalent to account receivable turnover days + inventory turnover days – accounts payable turnover days.
9. Equivalent to net debts over capital and net debts.
10. Equivalent to net loss over annual average equity.
11. Equivalent to net loss over annual average total assets.
12. The number of restaurants as at 31 December 2021 and 31 December 2020 excluding licenced stores.

DIRECTORS' REPORT

The board (the "**Board**") of Directors (the "**Director(s)**") of the Shanghai XNG Holdings Limited (the "**Company**") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands on 2 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company (the "**Shares**") were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 4 July 2012 (the "**Listing Date**").

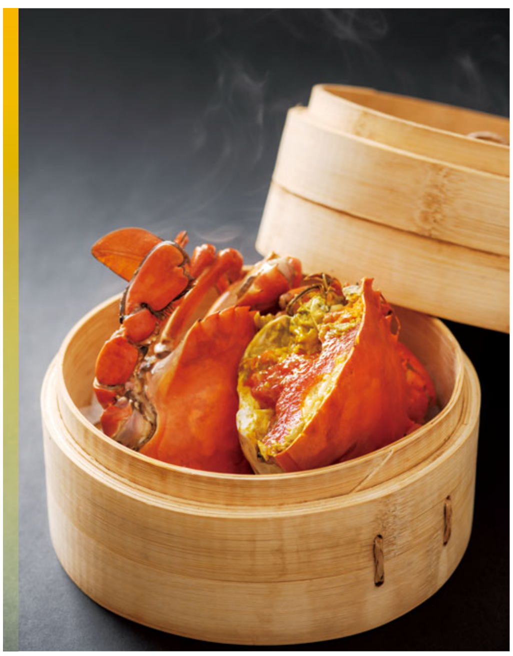
PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of restaurant chain stores in Mainland China and Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year. Particulars of the Company's principal subsidiaries are set out in note 1 to the financial statements.

RESULTS AND DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

The Group's result for the year ended 31 December 2021 together with the Company's and the Group's financial conditions as of the date are set out in page 44 to page 47 of the financial statements.



CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements of the shareholders to attend the forthcoming annual general meeting (the "**AGM**") to be held on 24 May 2022, the register of members of the Company will be closed from 17 May 2022 to 24 May 2022, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend the AGM, all share transfers, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrar in Hong Kong (the "**Hong Kong Share Registrar**"), Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 16 May 2022.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, none of the Group's sales to the five largest customers amounted to 30% or more of the Group's revenue. In 2021, total purchases attributed to the five largest suppliers and the largest supplier of the Group were approximately 37.2% and 21.1% of the total purchases respectively.

During the year, none of the Directors, their close associates or any shareholders who to the best knowledge of the Directors own 5% interest above of the issued shares of the Company has any beneficial interest in any of the Group's five largest suppliers and customers.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements of the Company's share capital and share options are set out in notes 28 and 29 to the financial statements respectively. The Company currently adopted two share option schemes. The purpose of these share option schemes is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

(1) Pre-IPO share option schemes

Pursuant to the written resolutions of the shareholders of the Company passed on 10 February 2010 and 15 March 2011, the rules of two Pre-IPO share option schemes (the "**Pre-IPO Share Option Schemes**") were approved and adopted, respectively. The Pre-IPO Share Option Schemes adopted on 15 March 2011 were subsequently amended on 10 August 2011 pursuant to the written resolutions of the shareholders of the Company passed on 29 July 2011. The options granted to any grantee under the Pre-IPO Share Option Schemes adopted on 15 March 2011 and amended on 10 August 2011 shall vest according to the following schedule:

(a) from 1 July 2012 to 10 years from the date of grant:

(1) 25% shall vest if the Company's net profit for the year ended 31 December 2011 reaches a specified target;

(2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2011 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;

(3) if the Company's net profit for the year ended 31 December 2011 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;

(b) from 1 July 2013 to 10 years from the date of grant:

(1) 25% shall vest if the Company's net profit for the year ended 31 December 2012 reaches a specified target;

(2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2012 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;

(3) if the Company's net profit for the year ended 31 December 2012 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;

(c) from 1 July 2014 to 10 years from the date of grant:

(1) 25% shall vest if the Company's net profit for the year ended 31 December 2013 reaches a specified target;

(2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2013 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;

(3) if the Company's net profit for the year ended 31 December 2013 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options; and

(d) from 1 July 2015 to 10 years from the date of grant:

(1) 25% shall vest if the Company's net profit for the year ended 31 December 2014 reaches a specified target;

(2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2014 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;

(3) if the Company's net profit for the year ended 31 December 2014 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options.

Each option granted under the Pre-IPO Share Option Schemes is exercisable within 10 years from the date on which such option becomes vested. For details of the share options, please refer to note 29 to the financial statements.

Under the Pre-IPO Scheme Option Schemes, all the options were granted on or before 13 June 2012 as mentioned in the prospectus of the Company dated 21 June 2012. No further options will be granted under the Pre-IPO Share Option Schemes upon listing. The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of RMB0.99 or RMB1.09 or RMB1.17 by the grantee taking into consideration of the exercise price adjustment of the options upon the Rights Issue (RMB1 or RMB1.1 or RMB1.175 of the exercise price before the Rights Issue).

From 1 January 2021 to 31 December 2021, no share options granted under the Pre-IPO Share Option Schemes have been exercised or cancelled, 5,742,636 share options granted under the Pre-IPO Share Option Schemes have been lapsed. As at 31 December 2021, 2,281,104 share options granted under the Pre-IPO Share Option Schemes were still outstanding. The summary of the share options granted under the Pre-IPO Share Option Schemes that were still outstanding as at 31 December 2021 is as follows:

Name of the grantee	No. of share options outstanding as at 1 January 2021	No. of share options granted during the year ended 31 December 2021	No. of share options exercised during the year ended 31 December 2021	No. of share options cancelled during the year ended 31 December 2021	No. of share options lapsed during the year ended 31 December 2021	No. of share options outstanding as at 31 December 2021
Employees (in aggregate)	8,023,740	–	–	–	5,742,636	2,281,104

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted under the Pre-IPO Share Option Schemes that were still outstanding as at 31 December 2021 are set out below:

Participants	Date of grant of option	Exercise period of option	Exercise price of option RMB per share	No. of outstanding option as at the latest practicable date
Employees	11 February 2010	1 January 2012 to 11 February 2020	1	0
	21 June 2010	1 January 2012 to 21 June 2020	1	0
	1 September 2010	1 January 2012 to 1 September 2020	1	0
	15 December 2010	1 January 2012 to 15 December 2020	1.1	0
	26 January 2011	1 January 2012 to 26 January 2021	1.1	0
	28 February 2011	1 January 2012 to 22 March 2021	1.1	0
	22 March 2011	1 January 2012 to 22 March 2021	1.1	0
	1 July 2011	1 July 2012 to 1 July 2021	1.1	0
	1 July 2011	1 July 2012 to 1 July 2021	1.1	0
	12 August 2011	1 July 2012 to 12 August 2021	1.1	0
	12 August 2011	1 July 2012 to 12 August 2021	1.175	0
	15 January 2012	1 January 2013 to 15 January 2022	1.175	574,560
	15 May 2012	1 January 2013 to 15 May 2022	1.175	1,706,544
Total				2,281,104

Note: Affected by the Rights Issue in July 2016, the details of exercise price of the options under the Pre-IPO Share Option Schemes after adjustment upon the Rights Issue of the Company are set out on page 114 of this report.

(2) Share option scheme

The Company adopted a share option scheme (the "**Share Option Scheme**") which became effective on 4 July 2012. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

The Board may, at its absolute discretion, offer an option to eligible participants to subscribe for the Shares at an exercise price and subject to other terms under the Share Option Scheme. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000 Shares, being 10% of the total number of Shares in issue at the time when dealings of the Shares first commenced on the Stock Exchange which represents approximately 6.67% of the total issued share capital of the Company as at the date of this annual report. The exercise price shall be determined and notified to the qualified participants by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of such share option (which must be a business day); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of such share option; and (iii) the nominal value of the Shares on the date of grant.

The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 4 July 2012 and has a remaining term of approximately 3 months as at the date of this report. Under the Share Option Scheme, each option has a 10-year exercise period. On 21 October 2019, an aggregate number of 85,000,000 share options granted to the eligible employees, the then Directors (namely Ms. Wang Huimin, Ms. Zhu Xiaoxia and Mr. Lin Lijun), and the then Directors (namely Dr. Wu Chun Wah and Mr. Lui Wai Ming) of the Company were cancelled; on 21 October 2019, an aggregate number of 2,500,000 share options were granted to Directors (Dr. Wu Chun Wah (resigned on 28 March 2021), Mr. Lui Wai Ming, and Mr. Zhang Zhenyu) of the Company to subscribe for ordinary shares of HK$0.01 each of the Company after the payment of the nominal value. No share option was granted under the Share Option Scheme by the Company during 2021.

Details of the share options granted to the Directors on 21 October 2019 are as follows:

Details of the share options granted to Mr. Lui Wai Ming on 21 October 2019:

Exercise price per share under the share option:	HK$0.2
Closing price of the Shares on the date of grant:	HK$0.186
No. of the share options granted:	1,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 21 October 2029)
Vesting date of the share options:	100% of the share options were vested on 21 October 2019.

Details of the share options granted to Dr. Wu Chun Wah on 21 October 2019:

Exercise price per share under the share option:	HK$0.2
Closing price of the Shares on the date of grant:	HK$0.186
No. of the share options granted:	1,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 21 October 2029)
Vesting date of the share options:	100% of the share options were vested on 21 October 2019.

Details of the share options granted to Mr. Zhang Zhenyu on 21 October 2019:

Exercise price per share under the share option:	HK$0.2
Closing price of the Shares on the date of grant:	HK$0.186
No. of the share options granted:	500,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 21 October 2029)
Vesting date of the share options:	100% of the share options were vested on 21 October 2019.

The summary of the share options granted under the Share Option Scheme that were still outstanding as at 31 December 2021 is as follows:

Name of the grantee	No. of share options outstanding as at 1 January 2021	No. of share options granted during the year ended 31 December 2021	No. of share options exercised during the year ended 31 December 2021	No. of share options cancelled during the year ended 31 December 2021	No. of share options lapsed during the year ended 31 December 2021	No. of share options outstanding as at 31 December 2021
Directors						
Mr. Lui Wai Ming	1,000,000	–	–	–	–	1,000,000
Dr. Wu Chun Wah (resigned on 28 March 2021)	1,000,000	–	–	–	–	1,000,000
Mr. Zhang Zhenyu	500,000	–	–	–	–	500,000
Employees	15,816,377	–	–	–	1,937,880	13,878,497
Directors and employees (in aggregate)	18,316,377	–	–	–	1,937,880	16,378,497

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted to employees under the Share Option Scheme that were still outstanding as at 31 December 2021 are set out below:

Participants	Date of grant of option	Exercise period of option	Exercise price of option HK$ per share	No. of outstanding option as at the latest practicable date
Employees	23 August 2013	23 August 2013 to 22 August 2023	1.5	4,777,346
	30 June 2014	1 July 2015 to 29 June 2024	1.5	2,580,480
	30 June 2014	1 July 2015 to 29 June 2024	1.3	3,335,391
	1 January 2015	1 January 2016 to 31 December 2024	1.3	463,680
	1 January 2015	1 January 2016 to 31 December 2024	1	2,721,600
	21 October 2019	21 October 2019 to 21 October 2029	0.2	2,500,000
Total				16,378,497

Note: Affected by the Rights Issue in July 2016, the details of exercise price of the options after adjustment upon the Rights Issue of the Company are set out on page 115 of this report.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2021 and an outlook on the Group's future business development, possible risks and uncertainties that the Group may be facing are shown in "Management Discussion and Analysis" section of this report. The financial risk management objectives and policies of the Group are set out in note 38 to the consolidated financial statements. An analysis of the Group's performance using financial key performance indicators is shown in "Financial Highlights" section of this report.

Environmental policies and performance

The Group believes that due performance of environmental responsibility would definitely improve the effectiveness of the utilisation of the Group's resources and the quality of customer services, and would raise economic efficiency to the Group. The Group abides by all the applicable environmental laws and regulations of the regions where the Group has business operations. The Group has established the environmental protection actions, including the use of environmentally-friendly takeaway packing material, the setup of oil-water separator, the reasonable disposal of restaurant wastes and waste cooking oils in order to minimize the impacts to the environment.

Compliance with the relevant laws and regulations

The operations of the Group are mainly carried out by the subsidiaries of the Company established in Mainland China and Hong Kong. The Company is incorporated in the Cayman Islands with its shares listed on the Stock Exchange. Therefore, the establishments and operations of the Group are subject to the relevant laws, rules and regulations of the Cayman Islands, the Mainland China and Hong Kong. Compliance procedures are in place to ensure adherence to (in particular) applicable laws, rules and regulations in Cayman Islands, Mainland China and Hong Kong in all material aspects. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees from time to time.

Key relationships with stakeholders

Employees

The Group respects its employees and endeavours to provide better working conditions for its employees. In accordance with the requirements of Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China and the Employment Ordinance in Hong Kong, the Company provides and maintains statutory benefits for its employees, including but not limited to mandatory provident fund, basic medical insurance and labour insurance. Employees are entitled to statutory holidays. The Group has also established the policies for remuneration of employees so as to provide the fair remuneration packages for the employees under systemic remuneration management. The Group provides equal opportunity for employees in respect of promotion, appraisal, training, development and other aspects to build up a sound career platform for employees.

Customers

The Group focuses on improving the quality of products and services to enhance customer satisfaction, details of which are elaborated in Environmental, Social and Governance Report of the Company which will be released later.

Suppliers

The Group works with the suppliers with the same objectives and develops mutually-successful working relationships with the key suppliers. The Group strictly follows its policy, which is constructed under the Group's corporate culture and professional standard in the selection of suppliers and purchasing process. Although the cost of purchase is a major consideration in selecting suppliers, the Group would also consider the suppliers' corporate social responsibility performances, which include the suppliers' performances on the aspects of legal and regulatory compliance and business ethics etc..

DEBENTURES

For the financial year ended 31 December 2021, the Company did not issue any debentures.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Schemes and the Share Option Scheme, for the year ended 31 December 2021, the Company has not entered into any equity-linked agreement.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. Also, the Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors and senior management.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2021 are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association (the "**Articles of Association**") and relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Movements in the reserves of the Company are set out in note 41 to the financial statements.

PROPERTY AND EQUIPMENT

Movements in the Group's properties and equipment during the year are set out in note 13 to the financial statements.

DIRECTORS

During the period from 1 January 2021 and up to the date of this report, the Board comprised the following Directors:

Executive directors

Mr. Gu Dorson *(Chairman)*
Ms. Ping Guoqin

Non-executive directors

Ms. Wang Huili
Ms. Wu Wen

Independent non-executive directors

Mr. Lui Wai Ming
Mr. Zhang Zhenyu
Ms. Li Yuping

Ms. Baixuan Tiffany Wang resigned as an executive Director on 10 June 2021; Dr. Wu Chun Wah resigned as an independent non-executive Director on 28 March 2021.

The Company has received the annual confirmation from each of the independent non-executive Directors about his/her independence in accordance with Rule 3.13 of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") and considers each of them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors of the Company are set out on pages 37 to 38 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company. The appointment of independent non-executive Director Mr. Lui Wai Ming is for a term of 3 years from 22 January 2022; the appointment of independent non-executive Director Mr. Zhang Zhenyu is for a term of 3 years from 22 January 2022; the appointment of independent non-executive Director Ms. Li Yuping is for a term of 3 years from 22 January 2022; the appointment of non-executive Director Ms. Wu Wen is for a term of 3 years from 22 January 2022; the appointment of non-executive Director Ms. Wang Huili is for a term of 3 years from 22 January 2022; the appointment of executive Director Mr. Gu Dorson is for a term of 3 years from 25 November 2021; the appointment of executive Director Ms. Ping Guoqin is for a term of 3 years from 25 November 2021. Under the service contract, all the Directors shall be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or until any party giving at least three months written notice to the other party (subject to retirement from office and re-election at the AGM in accordance with its Articles of Association).

No Director offering for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than the normal statutory compensation).

Notes:

1. Directors' service contracts of Mr. Gu Dorson and Ms. Ping Guoqin were updated on 25 November 2021.

2. Directors' service contracts of Mr. Lui Wai Ming, Mr. Zhang Zhenyu, Ms. Li Yuping, Ms. Wu Wen and Ms. Wang Huili were updated on 22 January 2022

EMOLUMENT POLICY

The Company's emolument policy is to ensure that the remuneration offered to employees, including executive Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of independent non-executive Directors are also determined by reference to their duties and responsibilities, the recommendation made by the Remuneration Committee and the prevailing market conditions. The remuneration packages of executive Directors are also determined by reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Director.

The emolument of the Directors and the five highest paid individuals is set out in notes 8 and 9 to the financial statements.

Details of the employee retirement benefits of the Company are set out in note 27 to the financial statements.

Details of share capital and share-based payment are set out in notes 28 and 29 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Except for those disclosed in note 35 to the financial statements, for the year ended 31 December 2021, none of the Directors had any direct or indirect material interest in any contracts, transactions or arrangements of significance in relation to the Group's business to which any of the Company, its holding companies, its subsidiaries or its fellow subsidiaries was a party.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or its any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to notify to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules, are set out as follows:

Name of Directors	Nature of Interest	Number of Shares/ Underlying Shares (1)	Approximate percentage of shareholding
Gu Dorson	Beneficial owner	110,651,550 (L) (2)	5.00%
Ping Guoqin	Beneficial owner	62,739,425 (L) (2)	2.83%
Wu Wen	Interest in controlled corporation	62,592,681 (L) (3)	2.83%
	Beneficial owner	24,228,000 (L)	1.09%
Wang Huili	Interest in controlled corporation	12,260,625 (L) (4)	0.55%
	Beneficial owner	126,150,000 (L)	5.70%
Lui Wai Ming	Beneficial owner	1,000,000 (L) (5)	0.05%
Zhang Zhenyu	Beneficial owner	500,000 (L) (6)	0.02%

Notes:

(1) "L" denotes long position in the Shares held by the Directors.

(2) On 25 November 2021, 110,651,550 and 62,739,425 awarded shares were granted to Mr. Gu Dorson and Ms. Ping Guoqin respectively pursuant to the share award scheme adopted by the Board on 20 December 2019 and amended on 25 November 2021.

As at 31 December 2021, 37,621,528 shares had been vested to Mr. Gu Dorson and 21,331,405 shares had been vested to Ms. Ping Guoqin.

(3) The relevant Shares were held by Well Reach Limited. Ms. Wu Wen, a non-executive Director, owned the entire issued share capital of Brilliant South Limited, which beneficially owned 100% of the issued share capital in Well Reach Limited. Therefore, Ms. Wu Wen was deemed to be interested in the Shares held by Well Reach Limited under the SFO.

(4) The relevant Shares were held by Fast Thinker Limited. Ms. Wang Huili, a non-executive Director, owned the entire issued share capital of Ever Project Investments Limited, which beneficially owned 100% of the issued share capital in Fast Thinker Limited. Therefore, Ms. Wang Huili was deemed to be interested in the Shares held by Fast Thinker Limited under the SFO.

(5) Mr. Lui Wai Ming, an independent non-executive Director, was entitled as a grantee of options to subscribe for up to 1,000,000 Shares under the Share Option Scheme (as stated in the announcements dated 2 May 2017 and 21 October 2019, respectively).

(6) Mr. Zhang Zhenyu, an independent non-executive Director, was entitled as a grantee of options to subscribe for up to 500,000 Shares under the Share Option Scheme (as stated in the announcement dated 21 October 2019).

(7) The percentage of shareholding was calculated based on the Company's total number of issued shares as at 31 December 2021 (i.e. 2,213,031,000 Shares).

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of shares[1]	Approximate percentage of shareholding
Alpadis Group Holding AG (formerly known as Alpadis Group Holding SA)	Interest in controlled corporation	655,087,500 (L) [2]	29.60%
Alpadis Trust (HK) Limited	Interest in controlled corporation	655,087,500 (L) [2]	29.60%
ESSEIVA Alain	Interest in controlled corporation	655,087,500 (L) [3]	29.60%
HEER Dominik Philipp	Interest in controlled corporation	655,087,500 (L) [3]	29.60%
HEER Krinya	Interest of spouse	655,087,500 (L) [4]	29.60%
Shen Xia	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [5]	7.59%
Elite Converge Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [5]	7.59%
Sunshine Property I Limited	Beneficial owner	167,887,000 (L)	7.59%
		167,887,000 (S) [5]	7.59%
Shining Capital Holdings L.P.	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [5]	7.59%
Shining Capital Management Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [5]	7.59%
Shining (BVI) Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [5]	7.59%
Li Shuming	Beneficial owner	164,763,575 (L)	7.45%

Notes:

(1) The letter "L" denotes long position in the shares and the letter "S" denotes short position in the shares.

(2) The underlying shares were held by Alpadis Trust as a professional trustee.

(3) Mr. ESSEIVA Alain and Mr. HEER Dominik Philipp indirectly held 56.78% and 43.22% of the shares of Alpadis Trust respectively.

(4) Mrs. HEER Krinya is the spouse of Mr. HEER Dominik Philipp. Under the SFO, Mrs. HEER is deemed to be interested in the same number of shares of the Company which Mr. HEER Dominik Philipp is interested in.

(5) The 167,887,000 Shares were held by Sunshine Property I Limited. Mr. Weng Xiangwei owned the entire issued share capital of Shining (BVI) Limited, which beneficially owned 50% of the issued share capital of Shining Capital Management Limited. The remaining of 50% equity interest held by Elite Converge Limited, of which Mr. Shen Xia owned 100% of the issued share capital. Shining Capital Management Limited in turn beneficially owned the entire issued share capital of Shining Capital Holdings L.P., which in turn beneficially owned the entire issued share capital of Sunshine Property I Limited. Therefore, Mr. Weng Xiangwei, Mr. Shen Xia, Elite Converge Limited, Shining (BVI) Limited, Shining Capital Management Limited and Shining Capital Holdings L.P. were deemed to be interested in the Shares held by Sunshine Property I Limited under the SFO.

(6) The percentage of shareholding was calculated based on the Company's total number of issued shares as at 31 December 2021 (i.e. 2,213,031,000 Shares).

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Group's Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Group.

DONATIONS

The Company did not contribute any charitable and other donations during this financial year.

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

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Related Party Transactions" of this report on page 122, none of the Company or any of its subsidiaries entered into any contracts of significance with the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor was there any contracts of significance for the provision of services to the Group by the controlling shareholder or any of its subsidiaries.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

For the year ended 31 December 2021, there were no connected transactions or continuing connected transactions which are required to be disclosed under Chapter 14A of the Listing Rules.

The related party transactions with companies owned by the controlling shareholder also constitute connected transactions or continuing connected transactions (which are fully exempted) as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors at the date of this report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

AUDITOR

During the year, Ernst & Young, retired as auditor of the Company and BDO Limited was appointed to fill the causal vacancy.

The financial statements were audited by BDO Limited who will retire at the conclusion of the forthcoming AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO Limited as the auditor of the Company is to be proposed at the forthcoming AGM.

SUBSEQUENT EVENTS

Except for the impact of epidemics, after 31 December 2021, the Company or the Group has no material subsequent events.

On behalf of the Board
Gu Dorson
Chairman

Shanghai, 21 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As of 2021, the Group's revenue amounted to RMB691.5 million, with an increase of RMB47.1 million or 7.3% from RMB644.4 million as of 2020; the Group's gross profit amounted to RMB468.8 million, with an increase of approximately RMB32.1 million or 7.3% from RMB436.7 million of 2020. In 2021, the loss attributable to the parent company owner was approximately RMB82.4 million, representing a decrease of RMB236.4 million, when compared with the loss of RMB318.8 million in 2020. The main reason for the profit increase for the year was that the store operations recovered slightly attributable to the diminishing impact of the COVID-19 pandemic in China in 2021, and one-off expenses such as the impairment provisions for assets decreased by RMB43.7 million in the current period as compared with last year.

In 2021, the Group operated a restaurant network of 33 "Shanghai Min" restaurants, 2 "Maison De L'Hui" restaurants, 13 "The Dining Room" restaurants, one "Oreno" restaurant, one "Wolfgang Puck" restaurant, 2 "DOUTOR" café and one "Karaage no Tensai" restaurant which covers some of the most affluent and fast-growing cities in China Mainland (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 2021 and 2020, respectively.

	As at 31 December			
	2021		2020	
	Number of restaurants (Note (iii))	**Revenue RMB'000**	Number of restaurants	Revenue RMB'000
The PRC (Mainland area (Note (ii))				
– Shanghai Min and Maison De L' Hui	**33**	**503,827**	39	426,928
– The Dining Room	**10**	**69,494**	10	74,163
– Other brands (Note (iv))	**5**	**28,471**	4	18,205
Hong Kong				
– Shanghai Min	**2**	**31,820**	3	37,826
– The Dining Room	**3**	**37,548**	3	55,554
Total revenue of restaurant operations (Note (i))	**53**	**671,160**	59	612,676
Other revenue		**20,357**		31,710
Total revenue		**691,517**		644,386

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 report 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, WolfgangPuck, DOUTOR, and Karaage no Tensai.

2021 was a year of ups and downs. The first half of the year saw the recovering consumption to a certain extent with the COVID-19 pandemic under control, and yet in the second half of the year, catering and other service industries suffered from both the repeated outbreak of COVID-19 pandemic and the sluggish consumption resulting from the slowing-down macro economy, making 2021 an extremely grim year for the business environment.

Against this backdrop, the Group adjusted its business direction in a timely manner to develop the offline business prudently and steadily, and accelerate the development of online business in line with the trend, for which a significant growth had been achieved. The reform measures launched in the first half of the year, such as product structure optimization, reform on the supply chain of high-quality fresh products, and flat management at the Group's headquarters, were further deepened in the second half of the year, and generated remarkable effects in terms of customer satisfaction and cost and expense control, which could be seen from the peak consumption during the Spring Festival in January 2022.

In 2021, the Group also made considerable progress in the handling of investments and claims, and further strengthened its financial health in the difficult second half of the year.

FINANCIAL REVIEW

Total Revenue

Revenue of the Group increased by RMB47.1 million, or 7.3%, from RMB644.4 million in 2020 to RMB691.5 million in 2021.

Total revenue of restaurant operations

Total revenue of restaurant operations increased by RMB58.5 million, or 9.5% from RMB612.7 million in 2020 to RMB671.2 million in 2021, primarily reflecting:

- an increase of RMB16.7 million in revenue contributed by restaurants newly opened as of 31 December 2021;

- an increase of RMB127.4 million (or 28.7%) in comparable restaurant sales in 2021 as compared with that of 2020;

- the relocation, adjustment and closure of stores as of 31 December 2021 resulted in a decrease in overall revenue of RMB85.6 million.

Other revenue

Other revenue decreased by RMB11.3 million, from RMB31.7 million in 2020 to RMB20.4 million in 2021. The decrease was mainly due to a decrease of RMB9.7 million in sales of value added products, and a decrease of RMB1.6 million in franchise fees and management fees charged by Michelin compared to last year.

Cost of Sales

The cost of sales increased by RMB15.0 million, or 7.2%, from RMB207.7 million in 2020 to RMB222.7 million in 2021.

The cost of sales as a percentage of revenue was the same with 32.2% in 2020.

Other income and gains

Other income in 2021 amounted to RMB46.0 million, mainly comprised of RMB1.6 million from interest income, RMB31.5 million of income recognized from the debt restructuring in the current period and RMB2.3 million from government subsidies.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB82.4 million, or 16.5%, from RMB498.4 million in 2020 to RMB416.0 million in 2021.

Labor costs relating to the restaurants operations decreased by RMB15.1 million, or 7.9%, from RMB191.2 million in 2020 to RMB176.1 million in 2021. As a percentage of the revenue, labor costs decreased from 29.7% in 2020 to 25.5% in 2021.

Rental costs relating to restaurants operations increased by RMB2.4 million, or 5.7%, from RMB41.4 million for the year ended 2020 to RMB43.8 million for the year ended 2021. As a percentage of the Group's revenue, rental costs decreased from 6.4% in 2020 to 6.3% in 2021.

Depreciation expenses relating to the restaurants operations decreased by RMB62.3 million, or 34.9%, from RMB178.7 million in 2020 to RMB116.4 million in 2021. As a percentage of the Group's revenue, depreciation expenses decreased from 27.7% in 2020 to 16.8% in 2021. This was mainly due to the impairment provided for the right-of-use assets and fixed assets of restaurants last year.

Administrative expenses

Administrative expenses decreased by RMB20.3 million, or 21.1%, from RMB96.3 million in 2020 to RMB76.0 million in 2021, and as a percentage of revenue, administrative expenses decreased from 14.9% to 11.0% over the same period.

Other expenses

Other expenses of RMB91.2 million in 2021 were mainly attributable to the fixed asset impairment loss of money-losing stores of RMB6.3 million, the impairment loss of right-of-use assets of RMB30.4 million, the impairment loss of trade receivables and financial assets included in prepayments, other receivables and other assets of RMB26.6 million, the impairment of goodwill and intangible assets of RMB11.8 million and a provision of RMB10.9 million made for litigation loss.

Income Tax Expense

Income tax expense decreased by RMB35.1 million from RMB35.7 million in 2020 to RMB0.6 million in 2021.

Loss for the year

As a result of the foregoing, the loss for the year of the Company decreased by RMB232.7 million from the loss of RMB320.5 million in 2020 to the loss of RMB87.8 million in 2021. The net profit margin increased from -49.7% in 2020 to -12.7% in 2021.

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 2021, the Group's total interest-bearing bank loans were RMB31.3 million. The gearing ratio was 72.0% (31 December 2020: 48.3%). 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.

The Group had net cash inflows from operating activities of RMB92.5 million in 2021 (2020: RMB46.5 million). As at 31 December 2021, the Group had RMB78.5 million in cash and cash equivalents (31 December 2020: RMB113.2 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2021 and 2020:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Net cash flows generated from operating activities	**92,478**	46,528
Net cash flows generated from/(used in) investing activities	**3,014**	(6,952)
Net cash flows used in financing activities	**(132,165)**	(82,358)
Net decrease in cash and cash equivalents	**(36,673)**	(42,782)
Cash and cash equivalents at the beginning of the year	**113,376**	158,548
Effect of foreign exchange, net	**1,750**	(2,566)
Cash and cash equivalents at the end of the year	**78,453**	113,200

Operating activities

Net cash inflow from operating activities increased by RMB46.0 million from RMB46.5 million as at 31 December 2020 to RMB92.5 million as of 31 December 2021, which was mainly due to the increase in revenue this year.

Investing activities

Net cash flow generated from investing activities was RMB3.0 million as of 31 December 2021, compared with net cash flow used in investing activities of RMB7.0 million in 2020, which was mainly because that the Company recouped investments of RMB13.1 million and made investments of approximately RMB11.6 million in fixed assets in the current period.

Financing activities

Net cash flow used in financing activities increased by RMB49.8 million from a cash outflow of RMB82.4 million as of 31 December 2020 to a cash outflow of RMB132.2 million as of 31 December 2021, which was primarily attributable to the increase in bank loans of RMB58.4 million, repayment of bank loans of RMB65.7 million and rental payments related to lease contracts included in cash used in financing activities of approximately RMB119.1 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 2021 and 31 December 2020 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 2021.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the year ended 31 December 2021.

Capital commitment

Capital commitments were approximately RMB6.5 million and RMB1.7 million as at 31 December 2021 and 31 December 2020, respectively.

Pledge of group assets

As at 31 December 2021, the Group's total interest-bearing bank loans were RMB31.3 million, of which bank loans of HK$20.0 million (equivalent to RMB16.4 million) were secured by the Group's pledge of certain fixed deposits of RMB19.4 million.

Human resources and remuneration policies

As at 31 December 2021, the Group employed approximately 839 people in Mainland China and Hong Kong, including 688 employees in restaurants and 151 employees in functional departments (1,096 employees in 2020, a year-on-year decrease of 23.4%).

In 2021, 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

From the second half of 2021 to the beginning of 2022, another strong and extensive wave of COVID-19 pandemic profoundly hit both Shanghai and Hong Kong, and the long-lasting pandemic has had a material impact on the fundamentals of social economy and consumption. However, with the weakening of the virus and the maturity of the pandemic control mechanism, we firmly believe that in the long run, the pandemic will eventually pass, and normal life and consumption will eventually return, but we must prepare ourselves for the changes in consumer demand in the post-pandemic era. In this process, the Group will continue to practice its original intention and commitment to quality as always. For the time being, the Group will move forward prudently and steadily in terms of operation, grow organically and exert diligent efforts on innovation. We wish everyone safety and happiness.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own corporate governance code. For the year ended 31 December 2021, save as disclosed in this report, the Company has complied with all applicable code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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. Having made specific enquiry to all Directors, all Directors have confirmed that, they had complied with the required standard as set out in the Model code throughout the year ended 31 December 2021.

BOARD OF DIRECTORS

The Board is the governing body of the Company. It is responsible for the efficient management of the catering business of the Group, formulating and reviewing the corporate governance policies and practices of the Company, putting forward proposals to the Board, reviewing and monitoring the training and continuing professional development of Directors and senior management, reviewing and monitoring the policies and practices with regard to the Company's compliance with statutory requirements, and the Company's observance of the CG Code, and reviewing the issuer's compliance with the Code and disclosure in the Corporate Governance Report. The Board is fully aware of its principal responsibilities to the Company and its duties to protect and enhance the interests of the shareholders of the Company.

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Nomination Policy

The Company set out a Nomination Policy (the "**Nomination Policy**") which sets out the selection criteria and nomination procedure when considering the appointment and re-appointment of Directors to ensure a balance of skills, experience and diversity of perspectives appropriate to the requirement of the Company's business.

The selection criteria including but not limited to the following: (1) potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; (2) needs of the Board for particular expertise, skills or experience; (3) commitment to devote adequate time to discharge his or her duties as a member of the Board; and (4) other factors considered to be relevant by the Nomination Committee on a case-by-case basis.

The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations; Promptly after considering a candidate's suitability for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The Board, if considered appropriate, shall approve the appointment of the proposed candidate as new Director(s).

Dividend Policy

The Company set up a dividend policy (the "**Dividend Policy**") which sets out the criteria to be adopted when considering declaration and payment of dividend with aims to provide stable and sustainable returns to the shareholders of the Company (the "**Shareholders**").

The Board may consider declaring and paying to the Shareholders by taking into account of the following factors, including but not limited to, the Group's business performance, operating results, cash flow working capital requirement and business development plans as well as general market condition and other factors that the Board may consider relevant. Dividend payment shall normally be in the form of cash, unless the Board resolves otherwise.

The Company's management implemented the relevant strategies and handled the Group's operation under the authorization and power of the Board. As at the date of this report, the Board consists of the following Directors:

Executive directors

Mr. Gu Dorson *(Chairman)*
Ms. Ping Guoqin

Non-executive directors

Ms. Wang Huili
Ms. Wu Wen

Independent non-executive directors

Mr. Lui Wai Ming
Mr. Zhang Zhenyu
Ms. Li Yuping

All Directors have appropriate professional qualification or substantive experience and industry knowledge. There is no other relationship among members of the Board.

The Board adopted and approved its diversity policy on the composition of Board members during the year of 2013. Below is the summary of the Board diversity policy of the Company:

The Company recognizes and embraces the benefits of having a diverse Board to enhance the overall quality of its performance.

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In terms of diversification, the Company will also be based on its own business model and the specific needs of the times to take various factors into account.

The Nomination Committee has the primary duty of identifying qualified individuals to act as the Board members, and the Board will review this policy at an appropriate time to ensure the effectiveness of the policy.

Each of the Directors has entered into a service contract with the Company. The appointment of independent non-executive Director Mr. Lui Wai Ming is for a term of 3 years from 22 January 2022; the appointment of independent non-executive Director Mr. Zhang Zhenyu is for a term of 3 years from 22 January 2022; the appointment of independent non-executive Director Ms. Li Yuping is for a term of 3 years from 22 January 2022; the appointment of non-executive Director Ms. Wu Wen is for a term of 3 years from 22 January 2022; the appointment of non-executive Director Ms. Wang Huili is for a term of 3 years from 22 January 2022; the appointment of executive Director Mr. Gu Dorson is for a term of 3 years from 25 November 2021; the appointment of executive Director Ms. Ping Guoqin is for a term of 3 years from 25 November 2021. Under the service contract, all the Directors shall be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or until any party giving at least three months written notice to the other party (subject to retirement from office and re-election at the AGM in accordance with its Articles of Association).

The Company has received the annual confirmation from each of the independent non-executive Directors about his independence in accordance with Rule 3.13 of the Listing Rules and considers each of them to be independent.

BOARD MEETINGS

The Company adopts the practice of regular board meetings and notices of regular Board meetings are served to all Directors no less than 14 days before the meetings. All of the Directors have chance to attend the regular meetings and discuss issues on agenda. For all other Board and Committee meetings, reasonable notice is generally given. The final versions of the minutes of all Board meetings and respective Committees meetings are normally circulated to Directors for comment within a reasonable time after each meeting is held.

Nine Board meetings and one general meeting were held during the year ended 31 December 2021. Attendance of each Director is set out as below:

Directors	Number of board meetings attended/ eligible to attend	General meetings attended/ eligible to attend
Ms. Baixuan Tiffany Wang[1]	4/4	N/A
Mr. Gu Dorson	9/9	1/1
Ms. Ping Guoqin[2]	4/4	1/1
Ms. Wang Huili	9/9	1/1
Ms. Wu Wen	9/9	1/1
Dr. Wu Chun Wah[3]	1/1	N/A
Mr. Lui Wai Ming	9/9	1/1
Mr. Zhang Zhenyu	9/9	1/1
Ms. Li Yuping[4]	7/7	1/1

Notes:

1 Ms. Baixuan Tiffany Wang resigned as executive Director on 10 June 2021.

2 Ms. Ping Guoqin was appointed as executive Director on 10 June 2021.

3 Dr. Wu Chun Wah resigned as independent non-executive Director on 28 March 2021.

4 Ms. Li Yuping was appointed as independent non-executive Director on 28 March 2021.

Pursuant to code provision C.1.6 of the CG Code, all non-executive Directors of the Company have attended general meetings of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer ("**CEO**") should be separated and should not be performed by the same individual. Mr. Gu Dorson is the Chairman of the Company, and the Company has not established the position of CEO. The Company complies with the CG Code C.2.1 as set out in Appendix 14 to the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In compliance with the code provision B.2.2 of the CG Code, every Director shall be subject to retirement by rotation at least once every three years. Further, according to article 84 of the Articles of Association, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation. The retiring Directors are to be those longest in office since their last election or reappointment, but will be eligible for re-election. At the same time, article 83(3) of the Articles of Association granted the right to the Board to appoint any person as a Director either to fill a vacancy on the Board or join the Board. Any Director appointed to fill the vacancy shall hold office until the Company's first general meeting after the appointment and will be eligible for re-election at that general meeting. Any newly appointed Directors joining the Board shall hold office until the Company's first AGM after the appointment and will be eligible for re-election at that general meeting. The duties of the Nomination Committee are to review the structure, size and composition of the Board, and to recommend individuals suitably qualified to become members of the Board to the shareholders at the AGM for the election.

In accordance with article 84 of the Articles of Association, Ms. Li Yuping, Mr. Lui Wai Ming and Mr. Zhang Zhenyu shall retire by rotation, and being eligible, offer themselves for re-election as Directors at the AGM.

INDUCTION AND CONTINUOUS DEVELOPMENT FOR DIRECTORS

Every new Director will be given formal, comprehensive and necessary induction information, to ensure a reasonable understanding of the Company's business and operation, and to fully understand the Directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors will be updated as regard to the latest development of the relevant laws and regulatory systems so as to assist them in performing their duties.

DIRECTORS' CONTINUOUS TRAINING

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in the continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2021, all Directors of the Company (namely Mr. Gu Dorson, Ms. Ping Guoqin, Ms. Wang Huili, Ms. Wu Wen, Mr. Lui Wai Ming, Mr. Zhang Zhenyu and Ms. Li Yuping) received regular updates on the Listing Rules and corporate governance matters, and participated in the trainings for Directors.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the Listing Rules and the CG Code. As at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Lui Wai Ming, Mr. Zhang Zhenyu and Ms. Li Yuping. Mr. Lui Wai Ming is the chairman of the Audit Committee. After Dr. Wu Chun Wah resigned as independent non-executive Director on 28 March 2021, Ms. Li Yuping, who was appointed as independent non-executive Director on the same day, was also appointed as a member of the Audit Committee.

The principal duties of the Audit Committee include:

- being responsible for the appointment, re-appointment and removal of the independent auditor and provide recommendations to the Board; approving the remuneration of the independent auditor, monitoring the duties of the independent auditor and implementing the policy of the Company for engaging of independent auditor for provision of non-audit services;

- reviewing the annual and interim financial statements, monitoring the Company's financial control, internal control and risk management and the Company's financial and accounting policies, to ensure the execution of the above policies are in place;

- reviewing the complaint process of the Company dealing with financial reporting, internal control or other violations of laws and regulations; and

- reviewing the arrangement of the Company and pursuant to which employees of the Group can secretly raise concerns about any possible misconducts arising from financial reporting, internal control or other matters. To ensure proper arrangement is in place and a fair and independent investigation of such matters and appropriate follow-up actions will be taken by the Company.

For the year ended 31 December 2021, the Audit Committee has held three meetings to review the annual results and financial statements for the year of 2020, assess the new auditor and review the interim results and financial statements for the six months ended 30 June 2021 of the Company and its subsidiaries. The attendance record of the members of the Audit Committee is set out in the table below:

Directors	Number of meetings attended/ eligible to attend
Mr. Lui Wai Ming	3/3
Ms. Li Yuping *(appointed as a member of the Audit Committee on 28 March 2021)*	3/3
Mr. Zhang Zhenyu	3/3

The following was a summary of the primary work performed by the Audit Committee in 2021:

1. reviewed the Group's consolidated financial statements for the year ended 31 December 2020 and the annual results announcement with a recommendation to the Board for approval;

2. reviewed the Group's annual report for the year ended 31 December 2020 with a recommendation to the Board for approval;

3. reviewed the continuing connected transactions for the year ended 31 December 2020;

4. reviewed the internal audit report for the year 2020 submitted by the Group's Internal Control Department;

5. assessed and recommended the appointment of BDO Limited as the new auditor of the Company;

6. reviewed the Group's consolidated financial statements for the six months period ended 30 June 2021 and the interim results announcement with a recommendation to the Board for approval; and

7. reviewed the Group's interim report for the six months period ended 30 June 2021 with a recommendation to the Board for approval.

Remuneration Committee

The Remuneration Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the Listing Rules and the CG Code. As at the date of this report, the Remuneration Committee comprised three independent non-executive Directors and one executive Director, namely Mr. Lui Wai Ming, Mr. Zhang Zhenyu, Ms. Li Yuping and Mr. Gu Dorson. The principal duties of the Remuneration Committee include formulating human resources management policies, reviewing the Company's compensation policies, and determining the remuneration package for the Company's executive Directors and senior management and advise the remuneration of non-executive Directors to the Board. After Dr. Wu Chun Wah resigned as independent non-executive Director on 28 March 2021, Ms. Li Yuping, who was appointed as independent non-executive Director on the same day, was also appointed as the chairlady of the Remuneration Committee. After Ms. Baixuan Tiffany resigned as executive Director on 10 June 2021, Mr. Gu Dorson was appointed as a member of the Remuneration Committee on the same day.

For the year ended 31 December 2021, the Remuneration Committee held three meetings to review and recommend the remunerations of the Directors appointed, and recommend the Board on the compensation policies and structure for all Directors and senior management as well as other relevant matters. The attendance record of the members of the Remuneration Committee is set out in the table below:

Directors	Number of meetings attended/ eligible to attend
Ms. Baixuan Tiffany Wang *(resigned on 10 June 2021)*	1/1
Mr. Gu Dorson *(appointed as a member of the Remuneration Committee on 10 June 2021)*	1/1
Mr. Lui Wai Ming	3/3
Ms. Li Yuping *(appointed as the chairlady of the Remuneration Committee on 28 March 2021)*	2/2
Mr. Zhang Zhenyu	3/3

The following was a summary of the primary work performed by the Remuneration Committee in 2021:

1. reviewed the proposal on remuneration of independent non-executive Directors, with a recommendation to the Board for approval;

2. reviewed and recommended the remunerations and share awards of the Directors;

3. reviewed and recommended the reauthorization of the Share Option Scheme in 2012;

4. reviewed and recommended to amend the share award scheme adopted by the Board on 20 December 2019; and

5. reviewed and recommended the adoption of a new share award scheme in 2021.

Nomination Committee

The Nomination Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the CG Code. As at the date of this report, the Nomination Committee comprised one executive Director and three independent non-executive Directors, namely Mr. Gu Dorson, Mr. Lui Wai Ming, Mr. Zhang Zhenyu and Ms. Li Yuping. Mr. Gu Dorson is the chairman of the Nomination Committee. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, and making recommendations to the Board on the selection of individuals to fill in vacancy on the Board. After Dr. Wu Chun Wah resigned as independent non-executive Director on 28 March 2021, Ms. Li Yuping, who was appointed as independent non-executive Director on the same day, was also appointed as a member of the Nomination Committee. After Ms. Baixuan Tiffany resigned as executive Director on 10 June 2021, Mr. Gu Dorson was appointed as the chairman of the Nomination Committee on the same day.

For the year ended 31 December 2021, the Nomination Committee has held three meetings. The attendance record of the members of the Nomination Committee is set out in the table below:

Directors	Number of meetings attended/ eligible to attend
Ms. Baixuan Tiffany Wang *(resigned on 10 June 2021)*	2/2
Mr. Gu Dorson *(appointed as the Chairman of the Nomination Committee on 10 June 2021)*	N/A
Mr. Lui Wai Ming	3/3
Mr. Zhang Zhenyu	3/3
Ms. Li Yuping *(appointed as a member of the Nomination Committee on 28 March 2021)*	1/1

The following was a summary of the primary work performed by the Nomination Committee in 2021:

1. reviewed the structure, size and composition of the Board, and reviewed the appointment of Directors;

2. reviewed the diversity of the Board. The Nomination Committee endorsed that the Board possessed a diversity of skills, expertise, experience and qualifications and believed that the Board performed its duties competently; and

3. advised the issue of re-election of retiring Directors.

Risk Management Committee

The Risk Management Committee was established on 31 December 2015 with its terms of reference formulated in accordance with the Listing Rules. As at the date of this report, the Risk Management Committee comprised one executive Director and three independent non-executive Directors, namely Mr. Gu Dorson, Mr. Lui Wai Ming, Mr. Zhang Zhenyu and Ms. Li Yuping. Mr. Gu Dorson is the chairman of the Risk Management Committee. The principal duties of the Risk Management Committee include overseeing the risk management system and risk tolerance capability of the Company, ensuring that the management has performed its duties to establish an effective internal control system, and considering major investigation findings on relevant risk management matters as delegated by the Board or on its own initiative and management's response to these findings. After Dr. Wu Chun Wah resigned as independent non-executive Director on 28 March 2021, Ms. Li Yuping, who was appointed as independent non-executive Director on the same day, was also appointed as a member of the Risk Management Committee. After Ms. Baixuan Tiffany resigned as executive Director on 10 June 2021, Mr. Gu Dorson was appointed as the chairman of the Risk Management Committee on the same day.

For the year ended 31 December 2021, the Risk Management Committee has held two meetings. The attendance record of the members of the Risk Management Committee is set out in the table below:

Directors	Number of meetings attended/ eligible to attend
Mr. Gu Dorson *(appointed as the Chairman of the Risk Management Committee on 10 June 2021)*	2/2
Mr. Lui Wai Ming	2/2
Mr. Zhang Zhenyu	2/2
Ms. Li Yuping *(appointed as a member of the Nomination Committee on 28 March 2021)*	2/2

The following was a summary of the primary work performed by the Risk Management Committee in 2021:

1. reviewed the Group's risk management system, its risk policies and standards, and relevant risk limits, including the parameters used and the methodology adopted, and the processes used for identifying and assessing risks;

2. discussed the risk management system with the management and ensure that the management has performed its duties to establish an effective system;

3. reviewed the scope and quality of management's ongoing monitoring of risks and the internal control systems, the work of the internal audit function;

4. reviewed the extent and frequency of communication of monitoring results which enables it to assess control of the Company and the effectiveness of risk management; and

5. reviewed and understood whether there were significant control failures or weaknesses identified.

Executive committee

The Executive Committee was established on 30 August 2011. The Executive Committee comprised two executive Directors, namely Mr. Gu Dorson and Ms. Ping Guoqin. Mr. Gu Dorson is chairman of the Executive Committee. The principal duties of the Executive Committee include approving new business brands of the Group, approving to add or change the general business projects within the scope of Chinese cuisine business, approving the connected transactions which meet the exemptions of de minimis transactions pursuant to the Listing Rules and other approval matters authorized by the Board.

For the year ended 31 December 2021, the Executive Committee did not hold any meeting.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2021, and they have to give true and fair opinion on the Group's affairs as well as the Group's results and cash flow. The Directors, after making all reasonable enquiries, confirmed that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms its overall responsibility for establishing and maintaining an adequate and effective risk management and internal control system to achieve the Group's strategic objectives and safeguard Shareholders' investment and the Group's assets, and reviews relevant achievements through the Audit Committee and the Risk Management Committee on an annual basis. The Board also understands that the system aims at management (instead of elimination) of the risk of failure of achieving business goals, and can only give reasonable (and non-absolute) guarantee of free of material misrepresentation or loss.

The Company adopted the three lines of defence model in the management of risk. Operational management personnel form the first line of defence and serves as the directly risk bearers. They are responsible for identifying, reporting and preliminarily managing risks in the daily operations. The second line of defence consists of risk management and operation standards review personnel who are responsible for monitoring efficient implementation of internal control, assisting the person in charge of risks in defining remaining risks, and making sufficient information report to the Company. The internal audit function is the third line of defence and the relevant staff are mainly responsible for evaluating the effectiveness of internal control, identifying the flaws in internal control, making reasonable proposals for optimizing business process control, and supervising the implementation of corrective measures and conducting follow – up inspections.

In terms of risk control activities, the Company established control policies and procedures that are compatible with the actual business operations; distinguished the scope of rights and duties as well as examination and approval procedures for conducting business and activities, effectively separated incompatible jobs to form their own duties; in addition, the Company adopted a systematic approach to control relevant steps so to increase the reliability of control activities and help the Company achieve the stated control objectives.

Inside information policy

The Board has adopted an inside information policy which contains the guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

COMPANY SECRETARY

Ms. Chu Cheuk Ting who possesses the requisite qualification and experience of a company secretary as required under Rule 3.28 of the Listing Rules, has been the company secretary of the Company since 21 January 2022. Ms. Chu is the manager of listing services department of TMF Hong Kong Limited. For the year ended 31 December 2021, Ms. Chu has received not less than 15 hours of relevant professional training to update her knowledge and skills.

Under code provision C.6.1 of the CG Code, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs. Ms. Chu is not an employee of the Company.

Mr. Ding Yuli, the Investor Relations Manager of the Company, has been assigned as the main contact persons of the Company with Ms. Chu. Information in relation to the performance, financial position and other major developments and affairs of the Group is promptly delivered to Ms. Chu through Mr. Ding.

REMUNERATION OF THE SENIOR MANAGEMENT

For the year ended 31 December 2021, there was no senior management members whose biographical details are disclosed in the section headed "Directors" of this report. Nevertheless, the remuneration of employees with important roles and functions, other than the CEO, is listed as below by band:

Band of remuneration (HKD)	No. of person
HKD1,000,000 and below	0
HKD1,000,001 to HKD1,500,000	2

Further details of the remuneration of Directors and the five highest paid employees required to be disclosed under Appendix 16 to the Listing Rules have been set out in notes 8 and 9 to the financial statements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the annual audit fees paid to the external auditor of the Company amounted to RMB1.40 million. No non-audit service fees has been paid for the year ended 31 December 2021.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with shareholders is the most important to improve investor relations and understanding of the Group's business, performance as well as strategy. The Company also recognizes the importance of non-selective and timely disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication, the Company maintains a website at www.xngholdings.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for shareholders' and public access.

CONVENING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Any one or more shareholder holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings can convene extraordinary general meetings by depositing or sending a written requisition addressed to the Board or Company Secretary for the transaction of any business specified in such requisition. All such requisition should be sent to Room 1601-05, 16/F, Building A, No.100 Zunyi Road, Changning District, Shanghai, China, attention to Mr. Ding Yuli, the Investor Relations Manager of the Strategic Investment Department of the Company.

Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to convene such meeting within 21 days of the deposit of the requisition, the requisitionist(s) himself/themselves may convene the meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene the meeting will be reimbursed to the requisitionist(s) by the Company.

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, shareholders who wish to propose resolutions may follow article 58 of the Articles of Association for requisitioning an extraordinary general meeting and proposing a resolution at such meeting. The requirements and procedures are set out as above.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders can make enquiries to the Board by way of emails to: ir@xngholdings.com.

CHANGES OF CONSTITUTIONAL DOCUMENT

The Company's Memorandum and Articles of Association (as restated) were adopted by the Company on 8 June 2012 and came into effect from the Listing Date. During the year ended 31 December 2021, the Company has not made any changes to its Memorandum and Articles of Association.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at shareholder meetings, including the election of individual Directors. All resolutions proposed at the shareholders' meeting will be voted by poll in accordance with the Listing Rules. The result of the poll voting will be duly published on the Company's website at www.xngholdings.com and the website of the Stock Exchange at www.hkex.com.hk after the general meeting.

DIRECTORS

EXECUTIVE DIRECTORS

Mr. GU Dorson, aged 42, has extensive experience in the business in direct e-commerce, FMCG retail and e-commerce, and business development on agri-food processing and retail industry chain. Mr. Gu worked in the Japan branches of Dell Inc., and Toys "R" Us, and worked on business development in agriculture, food processing and retailing under the service of CP Group. Mr. Gu holds a Bachelor Degree in International Finance from Dongbei University of Finance and Economics (東北財經大學).

Ms. Ping Guoqin, aged 68, has nearly 40 years of working experience in corporate financial management and governmental finance and tax. Ms. Ping was engaged in accounting and financial services since 1973, and served as capital manager, cost accountant, accounting manager and other posts, possessing extensive practical experience on the field of finance. Ms. Ping joined the finance and tax departments of the government in 1988, where she served as the director of the Tax Policy Division under the Tax Bureau of Changning District, Shanghai from 1992 to 2002, and was responsible for the operation training, guidance and policy clarification for the branch of the tax bureau. From 2002 to 2009, she held the position of financial director at Shanghai Xiao Nan Guo Group, and was responsible for the overall financial management of the company. Ms. Ping holds the qualification of economist and tax agent.

NON-EXECUTIVE DIRECTORS

Ms. WANG Huili, aged 64, is a non-executive Director of the Company. Ms. Wang Huili is a co-founder of the Group and has worked for Xiao Nan Guo restaurants for over 32 years since commencement of business of the first restaurant under the brand "Xiao Nan Guo" at Changsha Road, Huangpu District, Shanghai in 1987 where she served as the manager in charge of its daily management until 2008. Ms. Wang Huili was an executive Director of Shanghai Xiao Nan Guo Restaurant Co., Ltd. from January 2002 to July 2010 and was appointed as the supervisor of that company in July 2010. She also currently holds the Directorship of WHM Japan Co., Ltd. and Shanghai Wen Hui Huju Opera Troupe (上海文慧滬劇團).

Ms. WU Wen, aged 53, is a non-executive Director of the Company since 15 March 2018 and is primarily responsible for other work required by the Board. Ms. Wu started her career with Xiao Nan Guo restaurants since her joining of the first restaurant under the brand "Xiao Nan Guo" at Changsha Road, Huangpu District, Shanghai in 1993 where she was responsible for customer services related matters until 2008. During over 20 years with Xiao Nan Guo restaurants, Ms. Wu served various positions at the Company's wholly – owned subsidiaries which primarily focus on our restaurant business in Shanghai, including executive Directors of Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. (上海浦東小南國餐飲有限公司) from 1997 to 2011 and Shanghai Jing'an Xiao Nan Guo Co., Ltd. (上海靜安小南國餐飲有限公司) from 2004 to 2008, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LUI Wai Ming, aged 51, is an independent non-executive Director of the Company. Mr. Lui has extensive experience in auditing, accounting, investment, financial and corporate management for over 20 years. Mr. Lui was an independent non-executive director of Ernest Borel Holding Ltd, a company listed on main board of the Stock Exchange (stock code: 1856) from 27 October 2017 to 6 September 2020, an executive director of Hosa International Limited, a company listed on main board of the Stock Exchange (stock code: 2200) and delisted from the Stock Exchange in March 2020, from 1 April 2016 to 31 July 2018, an independent non-executive director of hmvod Limited (formerly known as Tai Shing International (Holdings) Limited), a company listed on GEM board of the Stock Exchange (stock code: 8103) from 22 May 2014 to 29 January 2016 and Golden Shield Holdings (Industrial) Limited, a company listed on main board of the Stock Exchange (stock code: 2123) and delisted from the Stock Exchange in August 2021, from 12 January 2015 to 11 May 2015, during the period he focused on investigation into the outstanding audit issues and the legal proceedings, and the company is currently under liquidation. In addition, Mr. Lui was the chief financial officer of Ta Yang Group Holdings Limited, a company listed on main board of the Stock Exchange (stock code: 1991) from 1 August 2018 to 31 March 2020.

Mr. Lui holds an Executive Master Degree in Business Administration from Cheung Kong Graduate School of Business in the People's Republic of China. Mr. Lui is a fellow member of the Association of Chartered Certified Accountants, a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of Hong Kong Institute of Directors.

Mr. ZHANG Zhenyu, aged 47, is an independent non-executive Director of the Company. Mr. Zhang has more than 20 years of experience in legal and corporate compliance field. During the period from October 2012 to February 2019, Mr. Zhang served as the chief legal counsel of Asia Pacific Region and chief compliance officer of China region for Thermo Fisher Scientific Inc, whose securities are listed on the New York Stock Exchange (stock code: TMO). During the period from April 2008 to March 2011, Mr. Zhang served as legal counsel and chief compliance officer of Great China region for Sandoz AG, a company incorporated in Switzerland and a global research-based pharmaceutical and nutrition group. Before serving Sandoz AG, Mr. Zhang has also acted as in-house legal counsel for TOM Group Limited, Sony Music group and Shanghai Huahong Group Co., Ltd. Mr. Zhang obtained a bachelor's degree in laws from East China University of Political Science and has been awarded with a Diploma in Beijing International MBA from Peking University.

Ms. LI Yuping, aged 73, is an independent non-executive Director of the Company. Ms. Li has more than 40 years of extensive practices and management experience in the field of corporate financial management and auditing. From 1974 to 1990, Ms. Li worked as the financial manager in the finance department of the Bureau of Collective Enterprise Administration of Changning District in Shanghai, responsible for the financial budget management and financial analysis of the affiliated enterprises. During this period, she participated in the First National Accounting Knowledge Competition and won the first runner up in the individual competition in Shanghai division. From 1990 to 2004, Ms. Li served as the director of the first division of the comprehensive business department (professional auditing department) of the Shanghai Municipal Auditing Bureau, responsible for the coordination of major audits of the city, as well as the chief auditor of several major municipal auditing projects. From 2004 to the end of 2019, Ms. Li served as the general manager of the finance department of the headquarters of Greencourt Prosperities Limited, fully in charge of the company's financial management.

Ms. Li holds the technical title of the Senior Auditor and has the professional qualification of Certified Public Accountant in China.

CHANGE IN INFORMATION OF DIRECTORS

Save as disclosed in this report, there is no changes in information of Directors required to be disclosed for the year ended 31 December 2021 pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the date of the interim report of the Company for the six months ended 30 June 2021.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Shanghai XNG Holdings Limited (formerly known as TANSH Global Food Group Co., Ltd)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai XNG Holdings Limited (formerly known as TANSH Global Food Group Co., Ltd) (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 39 to 133, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2021, 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.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Estimates relating to impairment testing of assets related to underperforming stores	
The Group operates restaurant chain stores in Mainland China and Hong Kong. As at 31 December 2021, the carrying values of property and equipment, and right-of-use assets were RMB53,377,000 and RMB210,008,000, respectively. The valuation of these assets was significant and the estimation was involved in the assessment of the recoverability of the invested amounts. Management assesses, on an annual basis, whether there are triggering events or indicators indicating potential impairment. In assessing value in use, the discounted cash flow method was used with estimations. Such valuation focused on underperforming stores. For the year ended 31 December 2021, impairment of RMB6,336,000 and RMB30,393,000 were recognised for property and equipment and right-of-use assets respectively. Further details are contained in Note 3, Note 13 PROPERTY AND EQUIPMENT, and Note 14 LEASES to the financial statements.	Our audit procedures included, amongst others, an evaluation of the Group's policies and procedures to identify indicators for potential impairment of assets related to underperforming stores. We have also evaluated the assumptions and methodologies used by the Group, in particular, the discount rate and long-term growth rate. We paid specific attention to the forecasts with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective stores and the business development plan.
Estimation and disclosure with respect to deferred tax assets	
As of 31 December 2021, the net deferred tax assets recognised in the consolidated statement of financial position amounted to RMB22,670,000. The deferred tax assets were recognised based on management's estimation of future taxable profits that would be available to utilise the deferred tax assets. As of 31 December 2021, deferred tax assets have not been recognised for accumulated tax losses of RMB479,225,000. The process of estimating the future taxable profits available was complex and involved estimates and judgements that were affected by future actual operation, tax regulations, and market or economic conditions. Further details are contained in Note 3 and Note 26 DEFERRED TAX to the financial statements.	We evaluated and tested management assessment on available taxable profits by, among others, comparing to the Group's business plans approved by those charged with governance, expected future profit forecasts, associated growth rates, and historical financial and tax information. We have reviewed the current tax position and potential tax reconciliation adjustments to check the compliance with tax regulations. We checked the relevant disclosures of deferred tax assets and unrecognised temporary differences.

OTHER MATTER

The consolidated financial statement of the Group for FY2019/20, were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2021.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Ho Yee Man
Practising Certificate Number P07395

Hong Kong, 21 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
REVENUE	5	**691,517**	644,386
Cost of sales		**(222,702)**	(207,658)
Gross profit		**468,815**	436,728
Other income and gains	5	**46,009**	24,390
Selling and distribution expenses		**(415,988)**	(498,374)
Administrative expenses		**(76,003)**	(96,304)
Other expenses		**(91,206)**	(134,953)
Finance costs	7	**(18,783)**	(16,283)
LOSS BEFORE TAX	6	**(87,156)**	(284,796)
Income tax expense	10	**(622)**	(35,732)
LOSS FOR THE YEAR		**(87,778)**	(320,528)
Attributable to:			
Owners of the parent		**(82,368)**	(318,752)
Non-controlling interests	31	**(5,410)**	(1,776)
		(87,778)	(320,528)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the year	12	**RMB(3.9) cents**	RMB(15.0) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
LOSS FOR THE YEAR	**(87,778)**	(320,528)
OTHER COMPREHENSIVE GAIN/(LOSS)		
Other comprehensive gain/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**1,598**	(3,692)
Net other comprehensive gain/(loss) that may be reclassified to profit or loss in subsequent periods	**1,598**	(3,692)
Other comprehensive gain/(loss) 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**	3,411
Income tax effect	**(747)**	(19)
	(314)	3,392
Net other comprehensive gain/(loss) that will not be reclassified to profit or loss in subsequent periods	**(314)**	3,392
OTHER COMPREHENSIVE GAIN/(LOSS) FOR THE YEAR, NET OF TAX	**1,284**	(300)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(86,494)**	(320,828)
Attributable to:		
Owners of the parent	**(81,082)**	(319,049)
Non-controlling interests	**(5,412)**	(1,779)
	(86,494)	(320,828)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated) (Note 40)
NON-CURRENT ASSETS			
Property and equipment	13	**53,377**	82,205
Right-of-use assets	14	**210,008**	160,179
Other intangible assets	16	**1,930**	16,095
Equity investments designed at fair value through other comprehensive income	18	**5,000**	18,025
Long-term rental deposits	17	**35,161**	55,246
Deferred tax assets	26	**22,670**	26,897
Total non-current assets		**328,146**	358,647
CURRENT ASSETS			
Inventories	19	**9,954**	16,079
Trade receivables	20	**5,468**	16,624
Prepayments, other receivables and other assets	21	**89,368**	76,364
Pledged deposits	22	**19,376**	14,894
Cash and cash equivalents	22	**78,453**	113,376
Total current assets		**202,619**	237,337
CURRENT LIABILITIES			
Trade payables	23	**42,728**	73,489
Other payables and accruals	24	**118,441**	123,168
Interest-bearing bank loans	25	**31,252**	38,995
Lease liabilities	14	**101,243**	92,288
Tax payable		**9,175**	11,596
Total current liabilities		**302,839**	339,536
NET CURRENT LIABILITIES		**(100,220)**	(102,199)
TOTAL ASSETS LESS CURRENT LIABILITIES		**227,926**	256,448

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated) (Note 40)
NON-CURRENT LIABILITIES			
Lease liabilities	14	**178,148**	124,257
Long-term payables	17	**6,218**	4,248
Deferred tax liabilities	26	**7,869**	8,552
Total non-current liabilities		**192,235**	137,057
Net assets		**35,691**	119,391
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**18,393**	18,393
Treasury shares	28	**(9,626)**	(9,626)
Other reserves	30	**28,082**	106,165
		36,849	114,932
Non-controlling interests	31	**(1,158)**	4,459
Total equity		**35,691**	119,391

Gu Dorson
Director

Ping Guoqin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

		Attributable to owners of the parent														
	Note	Share capital RMB'000 (Note 28)	Treasury shares RMB'000 (Note 28)	Share premium RMB'000 (Note 28)	Capital redemption reserves RMB'000 (Note 28)	Capital reserve RMB'000 (Note 30)	Merger reserve RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 30)	Share option reserve RMB'000 (Note 30)	Share Award Scheme reserve RMB'000 (Note 29)	Fair value reserve of financial asset at fair value through other comprehensive income RMB'000 (Note 30)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 31)	Total equity RMB'000
At 1 January 2021		18,393	(9,626)	723,723	27	57,677	(69,246)	18,943	(35,988)	20,582	–	(317,111)	(292,442)	114,932	4,459	119,391
Loss for the year		–	–	–	–	–	–	–	–	–	–	–	(82,368)	(82,368)	(5,410)	(87,778)
Other comprehensive loss for the year:																
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	–	–	–	(314)	–	(314)	–	(314)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	1,600	–	–	–	–	1,600	(2)	1,598
Total comprehensive loss for the year	29	–	–	–	–	–	–	–	1,600	–	–	(314)	(82,368)	(81,082)	(5,412)	(86,494)
Winding-up of subsidiary		–	–	–	–	–	–	(2,472)	–	–	–	–	2,472	–	–	–
Share Award Scheme expenses		–	–	–	–	–	–	–	–	–	2,999	–	–	2,999	–	2,999
Transfer of loss of disposal of equity investment at fair value through other comprehensive income to retain earning		–	–	–	–	–	–	–	–	–	–	313,089	(313,089)	–	–	–
Transfer of treasury shares upon vesting under Share Award Scheme		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Dividend paid to non-controlling interest		–	–	–	–	–	–	–	–	–	–	–	–	–	(205)	(205)
Transfer of share option reserve upon the forfeiture or expiry of share options	29	–	–	–	–	–	–	–	–	(1,171)	–	–	1,171	–	–	–
At 31 December 2021		18,393	(9,626)	723,723*	27*	57,677*	(69,246)*	16,471*	(34,388)*	19,411*	2,999*	(4,336)*	(684,256)*	36,849	(1,158)	35,691

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

		Attributable to owners of the parent														
	Note	Share capital RMB'000 (Note 28)	Treasury shares RMB'000 (Note 28)	Share premium RMB'000 (Note 28)	Capital redemption reserves RMB'000 (Note 28)	Capital reserve RMB'000 (Note 30)	Merger reserve RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 30)	Share option reserve RMB'000 (Note 30)	Share Award Scheme reserve RMB'000 (Note 29)	Fair value reserve of financial asset at fair value through other comprehensive income RMB'000 (Note 30)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 31)	Total equity RMB'000
At 1 January 2020		18,393	–	723,842	27	57,677	(69,246)	18,588	(15,621)	24,162	–	(337,181)	23,085	443,726	6,597	450,323
Loss for the year		–	–	–	–	–	–	–	–	–	–	–	(318,752)	(318,752)	(1,776)	(320,528)
Other comprehensive loss for the year:																
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	(16,678)	–	–	20,070	–	3,392	–	3,392
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(3,689)	–	–	–	–	(3,689)	(3)	(3,692)
Total comprehensive loss for the year	29	–	–	–	–	–	–	–	(20,367)	–	–	20,070	(318,752)	(319,049)	(1,779)	(320,828)
Share Award Scheme expenses		–	–	–	–	–	–	–	–	–	5,648	–	–	5,648	–	5,648
Repurchase of shares for the Share Award Scheme		–	(15,393)	–	–	–	–	–	–	–	–	–	–	(15,393)	–	(15,393)
Transfer of treasury shares upon vesting under Share Award Scheme		–	5,767	(119)	–	–	–	–	–	–	(5,648)	–	–	–	–	–
Dividend paid to non-controlling interest		–	–	–	–	–	–	–	–	–	–	–	–	–	(359)	(359)
Transfer from retained profits		–	–	–	–	–	–	355	–	–	–	–	(355)	–	–	–
Transfer of share option reserve upon the forfeiture or expiry of share options	29	–	–	–	–	–	–	–	–	(3,580)	–	–	3,580	–	–	–
At 31 December 2020		18,393	(9,626)	723,723*	27*	57,677*	(69,246)*	18,943*	(35,988)*	20,582*	–*	(317,111)*	(292,442)*	114,932	4,459	119,391

* These reserve accounts comprise the consolidated other reserves of RMB28,082,000 (2020: RMB106,165,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(87,156)**	(284,796)
Adjustments for:			
Finance costs	7	**18,783**	1,149
Interest income	5	**(1,620)**	(3,471)
Dividend income from equity investments at fair value through other comprehensive income	5	**(400)**	(800)
Covid-19-related rent concessions from lessors	14	**(782)**	(30,865)
Depreciation of property and equipment	13	**32,167**	62,414
Depreciation of right-of-use assets	14	**90,452**	122,990
Amortisation of other intangible assets	16	**2,246**	2,205
Loss on disposal of items of property and equipment	6	**2,021**	18,023
Gain/(loss) on disposal of right-of-use assets for early terminated lease	6	**(5,259)**	(2,683)
Impairment provision for property and equipment	6	**6,336**	15,396
Impairment provision for right-of-use assets	6	**30,393**	29,411
Impairment of goodwill	6	**–**	1,679
Impairment of other intangible assets	6	**11,815**	4,387
Impairment of trade receivables	6	**2,535**	476
(Reversal)/impairment of financial assets included in prepayments and other receivables		**(7,466)**	57,798
Share Award Scheme expenses		**2,999**	5,648
		97,064	(1,039)
Decrease in inventories		**6,106**	6,239
Decrease/(increase) in trade receivables		**8,579**	(4,664)
(Increase)/decrease in prepayments, other receivables and other assets		**(4,711)**	35,796
Decrease in trade payables		**(30,537)**	(20,727)
(Decrease)/increase in other payables and accruals		**(4,028)**	10,174
Decrease in long-term rental deposits		**18,399**	22,306
Increase/(decrease) in long-term payables		**2,029**	(521)
Cash generated from operations		**92,901**	47,564
Income tax paid		**(423)**	(1,036)
Net cash flows from operating activities		**92,478**	46,528

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(11,578)**	(11,519)
Purchases of items of other intangible assets		**(78)**	(1,238)
Advance to and repayment from related parties, net		**–**	2,334
Interest received		**1,620**	3,471
Proceeds from disposals of equity investments designated at FVTOCI		**13,050**	–
Net cash flows from/(used in) investing activities		**3,014**	(6,952)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Increase in pledged deposits and time deposits		**(4,482)**	(1,607)
Repayment of bank loans		**(65,703)**	(29,362)
Proceeds from new bank loans		**58,381**	56,775
Principal portion of lease payments		**(119,101)**	(91,256)
Dividends paid to non-controlling shareholders		**(205)**	(359)
Repurchase of shares		**–**	(15,393)
Interest paid		**(1,055)**	(1,156)
Net cash flows used in financing activities		**(132,165)**	(82,358)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(36,673)**	(42,782)
Cash and cash equivalents at beginning of year		**113,376**	158,548
Effect of foreign exchange rate changes, net		**1,750**	(2,566)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**78,453**	113,200
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**78,453**	101,620
Time deposits with maturity of less than three months, not pledged	22	**–**	11,580
Cash and cash equivalents as stated in the statement of cash flows		**78,453**	113,200

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

Shanghai XNG Holdings Limited (formerly known as TANSH Global Food Group Co., Ltd) 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.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Shanghai XNG Holdings Limited.

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		Principal activities Notes
			Direct	Indirect	
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)

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities Notes
			Direct	Indirect	
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)
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)

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities Notes
			Direct	Indirect	
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)
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)

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

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

Name	Place of incorporation/ kind of legal entity	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	Notes
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	–	58	(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.

During the year ended 31 December 2021, the Group has incurred a net loss of approximately RMB87,778,000 and as at 31 December 2021, the Group's current liabilities exceeded its current assets by approximately RMB100,220,000. In addition, the novel coronavirus disease 2019 pandemic (the "COVID-19") have brought negative impacts to the Group during the year. These events or conditions may cast significant doubt about the Group's ability to continue as a going concern. Nevertheless, these consolidated financial statements were prepared based on the assumption that the Group is able to operate as a going concern and the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations based on a projected cash flow covering a period from the end of the reporting period to 31 December 2022 after taking account of the following events and measures:

(i) As at the approval date of consolidation financial statement, the Group has sufficient bank facilities of approximately RMB10.1 million from China Guangfa Bank with expiry date on 19 April 2022 and HKD5 million from China DBS Bank which are available to support the liquidity risk of the Group; and

(ii) Some restaurants which contributed loss to the Group was considered to close down in 2022. By closing the loss-making restaurants, the Group will save the lease payment of RMB9.0 million and staff cost.

Management also performed a sensitivity analysis on certain key parameter, i.e. revenue growth by considering any possible negative impact on the effectiveness of its measures to improve profitability. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.1 BASIS OF PREPARATION *(continued)*

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 2021. 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 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

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*[2]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 April 2021.

None of these new or amended IFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period except for the amendments to IFRS 16. Impact on the application of this amended IFRS is summarised below.

Amendment to IFRS 16, COVID-19-Related Rent Concessions

IFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in IFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of IFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to early adopt the amendment and apply the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 January 2020 on initial application of the amendment.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 IAS 1	*Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[3]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
Amendments to IAS 16	*Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Annual Improvements to IFRSs 2018-2020 Cycle	*Amendment to IFRS 1*[1]
Annual Improvements to IFRSs 2018-2020 Cycle	*Amendment to IFRS 9, Financial Instruments*[1]
Annual Improvements to IFRSs 2018-2020 Cycle	*Amendment to illustrative examples accompanying IFRS 16, Lease*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

Amendments to IAS 1, Classification of Liabilities as Current or Non-current and Hong Kong Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to Hong Kong Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to IAS 1 with no change in conclusion and does not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

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

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to IAS 8, Disclosures of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

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

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/decommissioning liabilities.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the combined financial statements.

Amendments to IAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, are recognised in profit or loss.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely have an impact on the Group's accounting policies in respect of the construction of assets, as certain proceeds of selling items produced whilst bringing assets under construction are currently deducted from the cost of the asset.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely have an impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of I(IFRIC) Interpretation 21, Levies, the acquirer applies I(IFRIC) Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

Annual Improvements to IFRSs 2018-2020 Cycle, Amendment to IFRS 1

The annual improvements permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Annual Improvements to IFRSs 2018-2020 Cycle, Amendment to IFRS 9, Financial Instruments

The annual improvements amend a number of standards, including IFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to IFRSs 2018-2020 Cycle, Amendment to illustrative examples accompanying IFRS 16, Leases

The annual improvements amend a number of standards, including IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value either recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its share option and certain financial assets at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Annual rates	Estimated residual values
Furniture, fixtures and equipment	20%	5%
Motor vehicles	20%	5%
Leasehold improvements	Over the shorter of lease terms and estimated useful life	0%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents restaurant decoration and machinery and other assets under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, installation and testing and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

	Annual rates	Estimated residual values
Software	10%-20%	0%
Trademark	10%	0%

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 9 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group elected to present the lease liabilities separately in the statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and interest-bearing bank loans.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sales, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories comprise ingredients, consumables and food and beverages and are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A liability is recognised based on the fair value of credit awards earned by the customers in accordance with the Group's membership programme and the Group's past experience on the level of redemption of credit awards and is recorded in contract liabilities. The revenue of the Group is deducted when the credit awards are recognised.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Revenue from restaurant operations is recognised when catering services have been provided to customers.

(b) Revenue from the sale of packed foods is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the products.

(c) Management fee from franchisee is recognised over the franchise terms on a straight line basis.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 29 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 4% and 6% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group (RMB) at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing date.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Shanghai Mizhilian Restaurant Management Co., Ltd. ("**Mizhilian**") even though it owns 50% of the voting rights. This is because the Group controls Mizhilian by owning rights to variable returns from its involvement with Mizhilian and owning the ability to affect those returns through its power over Mizhilian.

Lack of significant influence even though the Group holds more than 20% of voting rights

The Group considers that it lacks significant influence on Yancheng Guanhua Aquatic Products Co., Ltd. ("**Yancheng Guanhua**") even though it owns more than 20% of the voting rights. This is because the Group has failed to obtain representation on Yancheng Guanhua's board of directors and cannot exercise significant influence on its financial and operating decisions.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is an estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

For other receivables, the Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is an objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The information about the ECLs on the Group's trade receivables and other receivables is disclosed in Note 20 and Note 21 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property and equipment. This estimate is based on the historical experience of the actual useful lives of property and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses at 31 December 2021 and 2020 were RMB12,181,000 and RMB9,817,000, respectively. Further details are included in Note 26 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. Management reassesses these estimates at each reporting date.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2021 was RMB5,000,000 (31 December 2020: RMB10,000,000), which was equal to related investment costs. Further details are included in Note 18(c) to the financial statements.

Contract liabilities

The amount of revenue attributable to the credit award earned by the customers of the Group's membership programme is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate was estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed.

4. 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, Wolfgang Puck and Doutor)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**622,149**	551,006
Hong Kong	**69,368**	93,380
	691,517	644,386

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Mainland China	**262,731**	272,394
Hong Kong	**2,584**	41,331
	265,315	313,725

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

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2021 and 2020, segment information is not presented in accordance with IFRS 8 Operating Segments.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers	**691,517**	644,386

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Types of goods or services		
Restaurant operations	**671,160**	612,676
Sale of packed foods	**13,381**	23,072
Management fee from franchisee	**6,976**	8,638
Total revenue from contracts with customers	**691,517**	644,386
Timing of revenue recognition		
Goods and services transferred at a point in time	**684,541**	635,748
Services transferred over time	**6,976**	8,638
Total revenue from contracts with customers	**691,517**	644,386

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 2021 RMB'000	2020 RMB'000
Restaurant operations	**8,470**	4,861

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

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(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:

	2021 RMB'000	2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**8,026**	8,470
After one year	**1,020**	1,284
	9,046	9,754

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	
	2021 RMB'000	2020 RMB'000
Government grants (note a)	**2,317**	13,504
Interest income	**1,620**	3,471
Management fee income	**324**	389
Dividend income from equity investments at fair value through other comprehensive income	**400**	800
Gain on disposal of right-of-use assets for early terminated leases	**5,259**	3,562
Reversal of impairment of other receivables (note b)	**31,526**	–
Covid-19-related VAT exemption	**–**	1,886
VAT related income	**2,268**	–
Others	**2,295**	778
	46,009	24,390

(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 the year.

6. LOSS BEFORE TAX

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

	Notes	Year ended 31 December 2021 RMB'000	2020 RMB'000 (Restated)
Cost of inventories sold		**222,702**	207,658
Depreciation of property and equipment	13	**32,167**	62,414
Depreciation of right-of-use assets	14	**90,452**	122,990
Amortisation of other intangible assets	16	**2,246**	2,205
Lease payments not included in the measurement of lease liabilities		**4,014**	26,508
Auditor's remuneration		**1,400**	2,200
Employee benefit expense (including directors' and chief executive's remuneration (Note 8):			
Wages and salaries		**201,354**	203,769
Defined contribution pension schemes		**19,758**	41,128
Share Award Scheme expenses		**2,999**	5,648
		224,111	250,545
Foreign exchange differences, net		**(36)**	1,908
Interest income	5	**(1,620)**	(3,471)
Loss on disposal of items of property and equipment*		**2,021**	18,023
Impairment of property and equipment*	13	**6,336**	15,396
Impairment of right-of-use assets*	14	**30,393**	29,411
Impairment of goodwill*	15	**–**	1,679
Impairment of other intangible assets*	16	**11,815**	4,387
Impairment of trade receivables*		**2,535**	476
Reversal of impairment of financial assets included in prepayments, other receivables and other assets**		**(31,526)**	–
Impairment of financial assets included in prepayments, other receivables and other assets		**24,060**	57,798
Litigation compensation*	24	**11,075**	–
Loss on disposal of right-of-use assets for early terminated leases*		**–**	879
Gain on disposal of right-of-use assets for early terminated leases**		**(5,259)**	(3,562)

* 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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2021 RMB'000	2020 RMB'000
Interest on bank loans	**1,055**	1,156
Interest on lease liabilities	**17,728**	15,134
Less: Interest capitalized	**–**	(7)
	18,783	16,283

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Fees	**716**	735
Other emoluments:		
Salaries, allowances and benefits in kind	**3,213**	4,596
Share Award Scheme expenses	**2,999**	991
Pension scheme contributions	**–**	56
	6,212	5,643
	6,928	6,378

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Mr. Wu Chun Wah	**79**	250
Mr. Lui Wai Ming	**239**	250
Mr. Zhang Zhenyu	**239**	235
Ms. Li Yuping	**159**	–
	716	735

Mr. Wu Chun Wah was appointed as an independent non-executive director on 4 June 2015 and resigned on 28 March 2021. Ms. Li Yuping was appointed as an independent non-executive director on 28 March 2021.

There were no fees or other emoluments payable to the independent non-executive directors in 2021.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Share Award Scheme expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2021				
Executive directors:				
Ms. Baixuan Tiffany Wang	**1,544**	**–**	**–**	**1,544**
Ms. Ping Guoqin	**530**	**1,085**	**–**	**1,615**
Mr. Gu Dorson	**661**	**1,914**	**–**	**2,575**
	2,735	**2,999**	**–**	**5,734**
Year ended 31 December 2020				
Executive directors:				
Ms. Baixuan Tiffany Wang	2,371	–	–	2,371
Mr. Sun Yong	1,525	991	56	2,572
Mr. Dorson Gu	200	–	–	200
	4,096	991	56	5,143

Ms. Baixuan Tiffany Wang was appointed as an executive director of the Company on 25 April 2020 and the chairlady of the Board of directors on 25 July 2020, and resigned as an executive director of the Company and the chairlady of the Board of directors on 10 June 2021. Upon the resignation of Ms. Baixuan Tiffany Wang, Mr. Gu Dorson resigned as the chief executive office and has been appointed as the chairman of the Board of directors with effect from 10 June 2021 and Ms. Ping Guoqin has been appointed as an executive director with effect from 10 June 2021.

Mr. Sun Yong was appointed as an executive director and the chief executive officer on 6 December 2018, and resigned as an executive director and the chief executive officer of the Company on 1 September 2020. Upon the resignation of Mr. Sun Yong, Mr. Gu Dorson has been appointed as an executive director, the chief executive officer with effect from 1 September 2020.

Up to 31 December 2021, 37,621,528 and 21,331,405 shares were awarded to Mr. Gu Dorson and Ms. Ping Guoqin respectively as an incentive for his/her contribution to the Group.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(c) Non-executive directors

	Salaries, allowances and benefits in kind RMB'000	Total remuneration RMB'000
Year ended 31 December 2021		
Non-executive directors:		
Ms. Wang Huili	**239**	**239**
Ms. Wu Wen	**239**	**239**
	478	**478**
Year ended 31 December 2020		
Non-executive directors:		
Ms. Wang Huili	250	250
Ms. Wu Wen	250	250
	500	500

There were no fees or other emoluments payable to the non-executive directors during the years ended 31 December 2021 and 2020.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included three directors (also the chief executive) for the year ended 31 December 2021 (2020: one), details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining two (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,776**	3,048
Share Award Scheme expenses	**–**	1,932
Pension scheme contributions	**243**	477
	2,019	5,457

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2021	2020
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**2**	1
	2	4

10. INCOME TAX

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current – Mainland China charged for the year	**2,331**	(41)
Current – Hong Kong over-provision in respect of prior years	**(4,506)**	–
Deferred tax (Note 26)	**2,797**	35,773
Total tax charge for the year	**622**	35,732

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 unified at 25%.

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%).

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	
	2021	2020
	RMB'000	RMB'000
Loss before tax	**(87,156)**	(284,796)
Tax at the statutory tax rate of 25% (2020: 25%)	**(21,789)**	(71,199)
Lower tax rates for specific provinces or enacted by local authorities	**3,334**	4,136
Income not subject to tax	**(8,411)**	(200)
Expenses not deductible for tax	**7,417**	592
Over provision in prior years	**(4,506)**	–
Tax losses not recognised during the year	**24,577**	102,403
Tax charge at the Group's effective rate	**622**	35,732

11. DIVIDENDS

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Proposed final – 2021: Nil (2020: Nil)	**–**	–

12. 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 2,130,812,000 (31 December 2020: 2,119,635,000).

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 2021 and 2020.

The calculation of basic loss per share is based on:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation:	**(82,368)**	(318,752)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation*	**2,130,812,000**	2,119,635,000

* Adjusted for the Treasury shares held by the Group.

13. PROPERTY AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021					
At 1 January 2021:					
Cost	487,981	124,335	6,537	403	619,256
Accumulated depreciation	(393,359)	(103,559)	(4,361)	–	(501,279)
Impairment	(31,380)	(4,392)	–	–	(35,772)
Net carrying amount	63,242	16,384	2,176	403	82,205
At 1 January 2021, net of accumulated depreciation and impairment	63,242	16,384	2,176	403	82,205
Additions	4,644	1,960	–	4,974	11,578
Depreciation provided during the year	(29,130)	(2,630)	(407)	–	(32,167)
Disposals	(3,625)	2,856	(404)	(848)	(2,021)
Impairment	(2,360)	(3,961)	(15)	–	(6,336)
Transfers	858	533	–	(1,391)	–
Exchange realignment	124	(6)	–	–	118
At 31 December 2021, net of accumulated depreciation and impairment	33,753	15,136	1,350	3,138	53,377
At 31 December 2021:					
Cost	411,617	108,563	6,133	3,138	529,451
Accumulated depreciation	(351,413)	(85,589)	(4,768)	–	(441,770)
Impairment	(26,451)	(7,838)	(15)	–	(34,304)
Net carrying amount	33,753	15,136	1,350	3,138	53,377

13. PROPERTY AND EQUIPMENT *(continued)*

	Leasehold land and building RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020					
At 1 January 2020 (restated):					
Cost	680,906	168,925	7,132	236	857,199
Accumulated depreciation	(487,675)	(140,052)	(3,965)	–	(631,692)
Impairment	(50,610)	(5,016)	–	–	(55,626)
Net carrying amount	142,621	23,857	3,167	236	169,881
At 1 January 2020, net of accumulated depreciation and impairment	142,621	23,857	3,167	236	169,881
Additions	4,166	1,783	3	2,387	8,339
Depreciation provided during the year	(60,867)	(1,150)	(397)	–	(62,414)
Disposals	(11,382)	(6,044)	(597)	–	(18,023)
Impairment	(12,708)	(2,688)	–	–	(15,396)
Transfers	1,590	630	–	(2,220)	–
Exchange realignment	(178)	(4)	–	–	(182)
At 31 December 2020, net of accumulated depreciation and impairment	63,242	16,384	2,176	403	82,205
At 31 December 2020:					
Cost	487,981	124,335	6,537	403	619,256
Accumulated depreciation	(393,359)	(103,559)	(4,361)	–	(501,279)
Impairment	(31,380)	(4,392)	–	–	(35,772)
Net carrying amount	63,242	16,384	2,176	403	82,205

Impairment test of property and equipment, right-of-use assets was performed for the underperforming stores with triggering events or indicators indicating potential impairment. The recoverable amount of every underperforming store cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on performance forecasts covering the remaining rental period approved by senior management. The discount rate applied to the cash flow projections is 14% (2020: 14%). The growth rate used to extrapolate the cash flows of the stores.

The total recoverable amount of the underperforming stores with impairments of property and equipment and right-of-use assets as at 31 December 2021 were RMB82,475,000 (2020: RMB82,663,000). As at 31 December 2021, the balance of an impairment provision of property and equipment was RMB34,304,000, which included RMB7,614,000 that has been written off during the year with disposal (2020: RMB35,250,000). An impairment provision of property and equipment of RMB6,336,000 and right-of-use assets of RMB30,393,000 were recognised in the year ended 31 December 2021 (2020: property and equipment of RMB15,396,000 and right-of-use assets of RMB29,411,000). There was no impairment reversal in the years ended 31 December 2021 and 2020.

14. 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 9 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 2020	312,225
Additions	41,058
Depreciation charge	(122,990)
Disposal	(39,618)
Impairment	(29,411)
Exchange realignment	(1,085)
As at 31 December 2020 and 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	**210,008**

For the details of the impairment test performed, please refer to Note 13.

14. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

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

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**216,545**	342,461
New leases	**179,822**	40,370
Accretion of interest recognised during the year	**17,728**	15,134
Covid-19-related rent concessions from lessors	**(782)**	(30,865)
Payments	**(119,101)**	(106,390)
Disposal	**(14,240)**	(42,301)
Exchange realignment	**(581)**	(1,864)
Carry amount at 31 December	**279,391**	216,545
Analysed into:		
Current portion	**101,243**	92,288
Non-current portion	**178,148**	124,257

The maturity analysis of lease liabilities is disclosed in Note 38.

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**17,728**	15,134
Depreciation charge of right-of-use assets	**90,452**	122,990
Expense relating to short-term leases and other leases with remaining lease terms ended on or before the end of reporting period (included in selling and distribution expenses)	**2,427**	20,328
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**1,587**	6,180
Covid-19-related rent concessions from lessors	**(782)**	(30,865)
Impairment of right-of-use assets	**30,393**	29,411
Total amount recognised in profit or loss	**141,805**	163,178

(d) The total cash outflow for leases are disclosed in Note 32(c).

15. GOODWILL

	RMB'000
At 1 January 2020:	
Cost	1,679
Accumulated impairment	–
Net carrying amount	1,679
Cost at 1 January 2020, net of accumulated impairment	1,679
Impairment during the year	(1,679)
Net carrying amount at 31 December 2020	–
At 31 December 2020:	
Cost	1,679
Accumulated impairment	(1,679)
Net carrying amount	–
Cost of 1 January 2021, net of accumulated impairment	**–**
Impairment during the year	**–**
Net carrying amount at 31 December 2021	**–**
At 31 December 2020:	
Cost	**1,679**
Accumulated impairment	**(1,679)**
Net carrying amount	**–**

Impairment testing of goodwill

Fei Can Chain stores operation cash-generating unit

Goodwill acquired through business combination has been allocated to the Fei Can chain stores operation, from which the goodwill was resulted. The Fei Can chain stores operation is treated as a cash-generating unit for impairment testing.

During the year ended 31 December 2020, the Company has closed the remaining store. There is no further business plan for Fei Can stores operation. Impairment of goodwill amounting to RMB1,679,000 was provided.

16. OTHER INTANGIBLE ASSETS

31 December 2021	**Trademark RMB'000 (Restated) (Note 40)**	**Software RMB'000**	**Total RMB'000 (Restated) (Note 40)**
Cost at 1 January 2021, net of accumulated amortisation	**12,709**	**3,386**	**16,095**
Additions	**–**	**78**	**78**
Impairment during the year	**(11,815)**	**-**	**(11,815)**
Amortisation provided during the year	**(712)**	**(1,534)**	**(2,246)**
Exchange realignment	**(182)**	**–**	**(182)**
At 31 December 2021	**–**	**1,930**	**1,930**
At 31 December 2021			
Cost	**17,446**	**20,797**	**38,243**
Accumulated amortisation	**(1,416)**	**(18,867)**	**(20,283)**
Impairment	**(16,030)**	**–**	**(16,030)**
Net carrying amount	**–**	**1,930**	**1,930**

31 December 2020	Trademark RMB'000	Software RMB'000	Total RMB'000
Cost at 1 January 2020, net of accumulated amortisation	4,887	3,853	8,740
Additions	–	1,238	1,238
Acquisition of a subsidiary	(4,387)	–	(4,387)
Amortisation provided during the year	(500)	(1,705)	(2,205)
At 31 December 2020	–	3,386	3,386
At 31 December 2020:			
Cost	5,100	20,719	25,819
Accumulated amortization	(713)	(17,333)	(18,046)
Impairment	(4,387)	–	(4,387)
Net carrying amount	–	3,386	3,386

Please refer to Note 15 for the detailed information of impairment provided in the year ended 31 December 2021.

17. LONG-TERM RENTAL DEPOSITS AND LONG-TERM PAYABLES

The long-term rental deposits represent the rental deposits paid to various landlords with lease terms that will expire more than one year after the end of the reporting period.

The long-term payables mainly represent accrued restoration cost.

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000	% of equity interest held by the Group
United States listed equity investments, at fair value through other comprehensive income:				
Zhongju Limited Partnership Enterprise	(a)	–	180	2.943%
Mercurity Fintch Holding Inc. (Formerly known as "**JMU Limited**")	(b)	–	7,845	4.270%
		–	8,025	
Unlisted equity investments, at fair value through other comprehensive income:				
Yancheng Guanhua	(c)	**5,000**	10,000	12.000%
Shanghai Zhong Heng Kuai Jian Brand Management Co., Ltd.	(d)	–	–	16.670%
		5,000	10,000	
		5,000	18,025	

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

(a) In 2015, Shanghai Xiao Nan Guo Restaurant Co., Ltd., an indirect wholly-owned subsidiary of the Company, the general partner of Zhongju Limited Partnership Enterprise ("**Zhongju GP**") and other investors, which are independent third parties of the Company (the "**Other Zhongju Investors**") entered into a limited partnership agreement ("**Zhongju LP Agreement**") for the establishment of the Zhongju Limited Partnership Enterprise ("**Zhongju LPE**"), pursuant to which Shanghai Xiao Nan Guo (as one of the limited partners) agreed to invest RMB3,168,000 in Zhongju LPE (representing approximately 2.943% of the relevant total partners' capital, equivalent to 0.44% of the issued share capital of Mercurity Fintch Holding Inc.). A decrease in fair value for the year ended 31 December 2021 of RMB180,000 (2020: increase in fair value of RMB57,000) was recognised in other comprehensive loss. An accumulated decrease in fair value as of 31 December 2021 with an amount of RMB2,421,000 (31 December 2020: decrease of RMB2,241,000) was recognised in other comprehensive loss.

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(continued)*

(b) The Group entered into the share purchase agreement dated 7 June 2016 to acquire an aggregate of 141,914,880 ordinary shares of Mercurity Fintch Holding Inc. ("**MFH**"), representing approximately 9.82% of the issued share capital of MFH at HK$2.60 per share, at an aggregate consideration of HK$368,396,837. The completion of the acquisition was conditional upon the completion of the Rights Issue, which was completed on 18 July 2016. The net proceeds raised from the Rights Issue were used to pay the consideration of the acquisition. The transaction had been approved by the extraordinary general meeting of the Company held on 24 August 2016. On 8 September 2016, the transaction was completed and initially recognised as RMB327,698,000 after netting off an investment loss of RMB4,031,000. After this acquisition, the Group held approximately 10.26% of the issued share capital of MFH in total.

During the period from 23 August 2021 to 2 September 2021, the Group disposed of a total of 141,914,880 MFH Shares, which represent 394,208 MFH ADSs, on the open global market of NASDAQ at an aggregate consideration of approximately US$1,181,661.21 (equivalent to approximately HK$9,169,690.99) (exclusive of transaction costs). Prior to the Disposals, the Group held a total of 141,914,880 MFH Shares, representing approximately 4.09% of the total issued share capital and 394,208 ADSs of Mercurity Fintech Holding respectively as at the date of 2 September 2021. Upon the completion of the Disposals, the Company no longer holds any MFH Shares or ADSs. A decrease in fair value for the year ended 31 December 2021 of RMB134,000 (2020: increase in fair value of RMB3,335,000) was recognised in other comprehensive loss. An accumulated decrease in fair value as of 31 December 2021 with an amount of RMB319,987,000 (31 December 2020: RMB319,853,000) was recognised in other comprehensive loss.

(c) On 29 June 2013, the Group acquired a 24.01% equity interest in an unlisted aquatic company with approximately RMB10,000,000. As stated in Note 3, the Group considers that it lacks significant influence on Yancheng Guanhua even though it owns more than 20% of the voting rights. This is because the Group does not have representative on Yancheng Guanhua's board of directors and cannot exercise significant influence on its financial and operating decisions. In 2021, the Group has disposed half of the equity interest of the company. After the disposal, the Group held 12.0% of the equity interest of Yancheng Guanhua in total. Yancheng Guanhua declared dividend of RMB400,000 to the Company (2020: RMB800,000). The trade payable balance of RMB879,000 to Yancheng Guanhua was included in trade payables as at 31 December 2021 (31 December 2020: RMB3,534,000).

(d) On 15 July 2015, the Group acquired a 20% equity interest in Shanghai Zhong Heng Kuai Jian Brand Management Co., Ltd., an unlisted brand management company approximately RMB4,000,000. The equity investment was subsequently diluted to 16.67% due to the share capital injection from other investors.

The fair values of the unlisted equity securities are determined by reference to the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. No fair value change for the year ended 31 December 2021 (2020: Nil) was recognised in other comprehensive loss. An accumulated decrease in fair value as of 31 December 2021 with an amount of RMB3,000,000 (31 December 2020: RMB3,000,000) was recognised in other comprehensive loss.

19. INVENTORIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Food and beverages, and other operating items, net	**9,954**	16,079

20. TRADE RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Trade receivables	**8,342**	17,100
Impairment	**(2,874)**	(476)
	5,468	16,624

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 2021 RMB'000	31 December 2020 RMB'000
Within 1 month	**4,165**	7,346
1 to 2 months	**73**	1,991
2 to 3 months	**50**	29
Over 3 months	**1,180**	7,258
	5,468	16,624

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 days past due of the trade receivables to measure the expected credit losses. For details, please refer to Note 38.

20. TRADE RECEIVABLES *(continued)*

Movements in the impairment loss are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Balance at beginning of the year	**476**	–
Impairment loss recognised on trade receivables	**2,535**	476
Amount written off as uncollectible	**(137)**	–
	2,874	476

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	**31 December 2021 RMB'000**	31 December 2020 RMB'000 (Restated) (Note 40)
Deposits and other receivables	(i)	**58,162**	81,872
Deductible input VAT		**36,407**	29,640
Prepaid expenses		**11,951**	9,734
Amount due from companies owned by controlling shareholders	(iii)	**3,460**	–
Prepayments		**16,587**	26,523
		126,567	147,769
Impairment allowance	(ii)	**(37,199)**	(71,405)
		89,368	76,364

(i) Deposits and other receivables mainly represent rental deposits and other receivables from counterparty.

(ii) An impairment analysis is performed at each reporting date by considering the probability of default. Expected credit losses are estimated with reference to the historical loss record of the Group and forward-looking information. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 December 2021, the above provision for impairment of other receivables included provision individually assessed on rental deposit, prepayment and other receivables from counterparty amounted to approximately RMB37,199,000, in which included uncollectible amount written off amounted to approximately RMB26,740,000 as at 31 December 2021.

As at 31 December 2021, except for the impairment allowance provided above, none of the other assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

(iii) The balance of amount due from companies owned by controlling shareholders is unsecured, interest-free and repayable on demand.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash and bank balances	**78,453**	101,620
Time deposits with original maturity of less than three months	**–**	11,580
Time deposits with original maturity of over three months	**19,376**	15,070
	97,829	128,270
Less: Pledged time deposits for bank loans		
Current portion	**(19,376)**	(14,894)
Cash and cash equivalents	**78,453**	113,376

As at 31 December 2021, time deposits of RMB19,376,000 (2020: RMB14,894,000) were pledged for bank loans borrowed by the Group, for details please refer to Note 25(a).

At the end of the reporting period, the cash and bank balances (including time deposits) of the Group denominated in Renminbi ("**RMB**") amounted to RMB51,156,000 (2020: RMB116,490,000). 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.

23. 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 2021 RMB'000	31 December 2020 RMB'000
Within 3 months	**22,854**	59,939
3 months to 1 year	**2,350**	451
Over 1 year	**17,524**	13,099
	42,728	73,489

The trade payables are non-interest-bearing and normally settled within 3 months after receiving the invoice.

24. OTHER PAYABLES AND ACCRUALS

	Note	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Payroll and welfare payables		**14,977**	14,304
Taxes other than corporate income tax		**316**	773
Other payables for construction in progress		**11,811**	15,014
Amounts due to companies owned by the Controlling Shareholder		**–**	3,323
Amounts due to related parties jointly controlled by the Controlling Shareholder and a then director of the Company		**131**	1,012
Amounts due to related parties controlled by a then director of the Company		**–**	1,744
Accruals and other payables (note)		**82,160**	77,244
Contract liabilities	(i)	**9,046**	9,754
		118,441	123,168

The balance of other payables and accruals is unsecured, interest-free and repayable on demand.

Note: The amounts of other payables included litigation compensation payables of RMB10,874,000, in which consists of a compensation amounting to RMB10,000,000 to a third party alleging that a subsidiary of the Group violated registered trademarks and unfair competition in Mainland China and a compensation amounting to RMB874,000 to another third party.

24. OTHER PAYABLES AND ACCRUALS *(continued)*

(i) Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Short-term advances received from customers			
Deferred income	**2,489**	3,516	5,682
Advances from customers	**6,557**	6,238	1,349
Total contract liabilities	**9,046**	9,754	7,031

25. INTEREST-BEARING BANK LOANS

		31 December 2021			31 December 2020		
		Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans – unsecured		**3.65%**	**2022**	**5,000**	3.75%	2021	5,000
Bank loans – unsecured		**4.25%**	**2022**	**4,780**	4.25%	2021	11,370
Bank loans – unsecured		**4.25%**	**2022**	**5,120**	3.75%	2021	10,000
Bank loans – secured	(a)	**2.80%**	**On demand**	**4,088**	3.13%	On demand	4,208
Bank loans – secured	(a)	**1.37%**	**On demand**	**4,088**	2.97%	On demand	4,208
Bank loans – secured	(a)	**2.17%**	**On demand**	**4,088**	2.94%	On demand	4,209
Bank loans – secured	(a)	**2.18%**	**On demand**	**4,088**			–
				31,252			38,995
Analysed into:							
Bank loans repayable:							
Within one year or on demand				**31,252**			38,995

(a) The bank loans borrowed by the Group are secured by the pledge of the Group's time deposits. The deposits amounted to RMB19,376,000 (31 December 2020: RMB14,894,000).

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

31 December 2021

	Impairment of property and equipment RMB'000	Fair value change of equity investments at fair value through other comprehensive income RMB'000	Accrued expenses RMB'000	Loss available for offsetting against future taxable profits RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	3,769	1,747	11,564	9,817	31,246	58,143
Deferred tax credited/(debited) to profit or loss during the year (Note 10)	(1,532)	–	(4,311)	2,363	15,314	11,834
Deferred tax debited to other comprehensive income	–	(747)	–	–	–	(747)
Exchange realignment	–	–	–	–	–	–
Gross deferred tax assets at 31 December 2021	2,237	1,000	7,253	12,180	46,560	69,230

26. DEFERRED TAX *(continued)*

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

31 December 2021

	Tax depreciation allowance in excess of accounting depreciation RMB'000	Right-of-use assets* RMB'000	Total RMB'000
At 1 January 2021	2,247	37,551	39,798
Deferred tax charged/(credit) to profit or loss during the year (Note 10)	260	14,371	14,631
Exchange realignment	–	–	–
Gross deferred tax liabilities at 31 December 2021	2,507	51,922	54,429

* To simplify the presentation of the movement during the year, the offset impact of deferred tax assets and deferred tax liabilities related to IFRS 16 is not presented above.

For presentation purposes, both deferred tax assets and liabilities of RMB46,560,000 have been offset in the statement of financial position as at 31 December 2021. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	22,670
Net deferred tax liabilities recognised in the consolidated statement of financial position	(7,869)
Net deferred tax assets in respect of continuing operations	14,801

26. DEFERRED TAX *(continued)*

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax assets

31 December 2020

	Impairment of property and equipment RMB'000	Accounting depreciation in excess of tax depreciation allowance RMB'000	Fair value change of equity investments at fair value through other comprehensive income RMB'000	Accrued expenses RMB'000	Loss available for offsetting against future taxable profits RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	7,927	4,599	1,766	17,691	21,298	75,359	128,640
Deferred tax debited to profit or loss during the year (Note 10)	(4,158)	(4,461)	–	(6,127)	(11,409)	(43,954)	(70,109)
Deferred tax debited to other comprehensive income	–	–	(19)	–	–	–	(19)
Exchange realignment	–	(138)	–	–	(72)	(159)	(369)
Gross deferred tax assets at 31 December 2020	3,769	–	1,747	11,564	9,817	31,246	58,143

26. DEFERRED TAX *(continued)*

The movements in deferred tax assets and liabilities during the year are as follows: (continued)

Deferred tax liabilities

31 December 2020

	Tax depreciation allowance in excess of accounting depreciation RMB'000	Right-of-use assets* RMB'000	Total RMB'000
At 1 January 2020	1,181	73,185	74,366
Deferred tax charged/(credit) to profit or loss during the year (Note 10)	1,088	(35,424)	(34,336)
Exchange realignment	(22)	(210)	(232)
Gross deferred tax liabilities at 31 December 2020	2,247	37,551	39,798

* To simplify the presentation of the movement during the year, the offset impact of deferred tax assets and deferred tax liabilities related to IFRS 16 is not presented above.

For presentation purposes, both deferred tax assets and liabilities of RMB31,246,000 have been offset in the statement of financial position as at 31 December 2020. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	26,897
Net deferred tax liabilities recognised in the consolidated statement of financial position	(8,552)
Net deferred tax assets in respect of continuing operations	18,345

26. DEFERRED TAX *(continued)*

As at 31 December 2021, the Group had accumulated tax losses arising in Mainland China for certain subsidiaries of RMB479,225,000 (2020: RMB313,284,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2021, no deferred taxation has been provided for the distributable retained profits, the amount of distributable retained profit which were derived from of the PRC subsidiaries as at 31 December 2021, amounted to RMB276,339,000 (2020: RMB381,356,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the state regulations of the PRC, the subsidiaries in Mainland China participate in a defined contribution pension scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The subsidiaries are required to make contributions to the local social security bureau at 13% to 24% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the subsidiaries in Mainland China.

In compliance with the Mandatory Provident Fund Schemes Ordinance (the "**MPF Ordinance**"), the subsidiaries in Hong Kong have participated in an MPF scheme, which is a defined contribution scheme managed by an independent trustee, to provide retirement benefits to their Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

For the years ended 31 December 2021 and 2020, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions which were available for utilisation by the Group to reduce the existing level of contributions to the MPF Scheme and the Central Pension Schemes.

28. SHARE CAPITAL

Shares

	31 December 2021 RMB'000	31 December 2020 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 2020, 1 January 2021 and 31 December 2021	**18,393**	**(9,626)**	**723,723**	**27**	**732,517**

29. SHARE-BASED PAYMENTS

The rights issue of shares on the basis of one share for every two existing shares ("**Rights Issue**") was completed on 18 July 2016. As a result of the completion of the Rights Issue, the Company made adjustments to the exercise price and the number of outstanding share options granted by the Company pursuant to the terms of the two pre-IPO share option schemes adopted by the Company on 10 February 2010 and 15 March 2011 (and amended on 10 August 2011) (the "**Pre-IPO Share Option Schemes**") and a share option scheme adopted by the Company on 4 July 2012 (the "**Share Option Scheme**").

(1) Pre-IPO Share Option Schemes

The Pre-IPO Share Option Schemes were approved pursuant to the resolutions passed by the Company's board of directors on 10 February 2010 and 15 March 2011 (subsequently amended on 10 August 2011), respectively. According to the Pre-IPO Share Option Schemes, the directors may invite directors of the group companies, senior management and other eligible participants to take up share options of the Company. The Pre-IPO Share Option Schemes became effective on 10 February 2010 and 15 March 2011, respectively. Options granted become vested after certain employment periods ranging from one to four years, while the grantees are required to complete the service till the vesting date. Some batches of share options were also conditional upon the achievement of performance conditions. The exercise price of share options is determinable by the directors.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of RMB0.99, RMB1.09 or RMB1.17 per share in total by the grantee after exercise price adjustment due to the Rights Issue (RMB1, RMB1.1 or RMB1.175 per share before the adjustment). The exercise period of the share options granted commences after a vesting period of one to four years and ends on a date which is 10 years from the date of offer of the share options or the expiry dates of the Pre-IPO Share Option Schemes, if earlier.

The following share options were outstanding under the Pre-IPO Share Option Schemes during the years ended 31 December 2021 and 2020:

	Year ended 31 December 2021		Year ended 31 December 2020	
	Weighted average exercise price per share RMB	**Number of options**	Weighted average exercise price per share RMB	Number of options
At the beginning of the year		**8,025**		17,623
Forfeited during the year	**1.166**	**(186)**	1.142	(1,367)
Expired during the year	**1.096**	**(5,557)**	1.002	(8,231)
At the end of the year		**2,282**		8,025

No share options were exercised during the years ended 31 December 2021 and 2020.

29. SHARE-BASED PAYMENTS *(continued)*

(1) Pre-IPO Share Option Schemes *(continued)*

The exercise prices and exercise periods of the share options under the Pre-IPO Share Option Schemes outstanding as at 31 December 2021 are as follows:

Number of options '000	Exercise price RMB per share	Exercise period
575	1.17	1 January 2013 to 15 January 2022
1,707	1.17	1 January 2013 to 15 May 2022
2,282		

There were no share options granted under the Pre-IPO Share Option Schemes after 4 July 2012, the Company's listing date. The Group recognised no share option expense under the Pre-IPO Share Option Schemes during the year ended 31 December 2021 (31 December 2020: Nil).

The fair value of all equity-settled share options granted before 4 July 2012, the Company's listing date, was estimated as at the date of grant using a binomial model.

(2) Share Option Scheme

The Company adopted a share option scheme (the "**Share Option Scheme**") which became effective on 4 July 2012. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

The Board of directors may, at its absolute discretion, offer an option to eligible participants to subscribe for the shares of the Company (the "**Shares**") at an exercise price and subject to other terms under the Share Option Scheme. The total number of the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000, being 10% of the total number of the Shares in issue at the time when dealings of the Shares first commence on the Stock Exchange.

The total number of the Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 4 July 2012. The exercise prices of options granted before 2017 under this scheme were of HK$0.99, HK$1.29 or HK$1.49 after exercise price adjustment due to the Rights Issue (HK$1, HK$1.3 or HK$1.5 before the adjustment).

29. SHARE-BASED PAYMENTS *(continued)*

(2) Share Option Scheme *(continued)*

There were no share options granted during the year ended 31 December 2021.

The following share options were outstanding under the Share Option Scheme during the years ended 31 December 2021 and 2020:

	Year ended 31 December 2021		Year ended 31 December 2020	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At the beginning of the year		**18,317**		22,820
Granted during the year		**–**		–
Forfeited during the year	**1.302**	**(1,939)**	1.393	(4,503)
At the end of the year		**16,378**		18,317

No share options under the Share Option Scheme were exercised during the years ended 31 December 2021 and 2020.

The exercise period of the share options granted commences after a vesting period of four years and ends on a date which is 9 years from the date of offer of the share options or the expiry dates of the Share Option Scheme, if earlier.

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 31 December 2021 are as follows:

Number of options '000	**Exercise price** HK$ per share	**Exercise period**
4,777	1.49	23 August 2013 to 22 August 2023
2,580	1.49	1 July 2015 to 29 June 2024
3,336	1.29	1 July 2015 to 29 June 2024
620	1.29	1 January 2016 to 31 December 2024
2,565	0.99	1 January 2016 to 31 December 2024
2,500	0.20	21 October 2019 to 21 October 2029
16,378		

29. SHARE-BASED PAYMENTS *(continued)*

(2) Share Option Scheme *(continued)*

The Group did not recognise share option expense for the year ended 31 December 2021 (2020: Nil). The Group transferred RMB1,171,000 from share option reserve to retained profits for the shares forfeited during the year ended 31 December 2021 (2020: RMB3,580,000).

As at 31 December 2021, the Company had 2,282,000 and 16,378,000 share options outstanding under the Pre-IPO Share Option Schemes and the Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 18,660,000 additional ordinary shares of the Company and additional share capital of RMB152,564 and share premium of RMB18,120,022 (before issue expenses).

(3) Share Award Scheme

A share award scheme (the "**Share Award Scheme**") was approved and adopted by the Board of directors on 25 November 2021, under which the executive committee of the Share Award Scheme (the "**Executive Committee**"), upon the authorisation of the Board of directors, may from time to time at its absolute discretion select any employee of any member of the Group for participation in the Share Award Scheme as a selected employee (the "**Selected Employee(s)**"), and grant awarded shares (the "**Awarded Shares**") to any Selected Employee. The Selected Employees are not required to pay any price to receive the Awarded Shares.

The Share Award Scheme shall be subject to the administration of the Board of directors and the trustee of the Share Award Scheme (the "**Trustee**") in accordance with the scheme rules and the trust deed. The Trustee shall hold the trust fund in accordance with the terms of the trust deed.

The Executive Committee authorised by the Board of directors may from time to time cause to be paid a contributed amount to the Trust by way of settlement or otherwise which shall constitute part of the trust fund, for the purchase or subscription (as the case may be) of Shares and other purposes set out in the scheme rules and the trust deed. In connection with the implementation of the Share Award Scheme, the Executive Committee may from time to time instruct the Trustee to purchase the Shares on the Stock Exchange and to hold them in trust for the benefit of the Selected Employees on and subject to the terms and conditions of the scheme rules and the trust deed.

The purposes of the Scheme are (i) to recognise the contributions by certain Employees and to provide them incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid for five years commencing from the adoption date.

Details of Share Awards granted under the Share Award Scheme

Up to 31 December 2021, 173,390,975 Shares were granted to the Selected Employees, among which, 110,651,550 Shares were granted to Mr. Gu Dorson and 62,739,425 Shares granted to Ms. Ping Guoqin, both are the executive directors.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) Share premium

The share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(ii) Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(iii) Merger reserve

The merger reserve represents the excess of the nominal value of the paid-in capital of the subsidiaries acquired pursuant to the Reorganisation over the carrying amount of the investments in these subsidiaries.

(iv) Capital reserve

The Group's capital reserve mainly represents the fair value of the equity interest in Xiao Nan Guo Holdings Limited transferred to the Company from its holding company with no consideration as part of the Reorganisation and the additional contribution made by the shareholders of the Company's subsidiaries and, in the case of acquisition of an additional non-controlling interest in a subsidiary, the difference between the cost of acquisition and the book value of the non-controlling interest acquired.

(v) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, companies that are domiciled in the PRC are required to allocate 10% of their profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

Statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

(vi) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in Note 2.4 to the financial statements.

(vii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in Note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(viii) Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of financial assets at fair value through other comprehensive income comprises all revaluation changes arising from equity investments designated at fair value through other comprehensive income.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	Notes	**31 December 2021**	31 December 2020
Percentage of equity interest held by non-controlling interests:			
Shanghai Feican Restaurant Management Co., Ltd.	(a)	**42%**	42%
Shanghai Mizhilian Restaurant Management Co., Ltd.	(b)	**50%**	50%
X&D Hongkong Limited	(c)	**35%**	35%

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
Shanghai Feican Restaurant Management Co., Ltd.	**59**	(1,142)
Shanghai Mizhilian Restaurant Management Co., Ltd.	**(3,532)**	678
X&D Hongkong Limited	**(1,937)**	(1,312)
	(5,410)	(1,776)

	31 December 2021 RMB'000	31 December 2020 RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
Shanghai Feican Restaurant Management Co., Ltd.	**2,051**	1,992
Shanghai Mizhilian Restaurant Management Co., Ltd.	**(4,568)**	(828)
X&D Hongkong Limited	**1,359**	3,295
	(1,158)	4,459

(a) The Group acquired a 58% equity interest of Shanghai Fei Can Restaurant Management Co., Ltd. ("**Fei Can**") from Shanghai Yibei Restaurant Management Co. Ltd. and Shanghai Yima Restaurant Management Co. Ltd., two third-party companies in July 2019.

(b) As stated in Note 3, the Group considers that it controls Shanghai Mizhilian Restaurant Management Co., Ltd. ("**Mizhilian**") even though it owns 50% of the voting rights. This is because the Group controls Mizhilian by owning rights to variable returns from its involvement with Mizhilian and owning the ability to affect those returns through its power over Mizhilian.

(c) X&D Hongkong Limited ("**X&D**") was established by the Group and an independent third party that own 65% and 35% of the issued share capital of X&D, respectively.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Shanghai Feican Restaurant Management Co., Ltd. RMB'000	Shanghai Mizhilian Restaurant Management Co., Ltd. RMB'000	X&D Hongkong Limited RMB'000
2021			
Revenue	**223**	**6,854**	**2,238**
Total expenses	**(84)**	**(13,917)**	**(7,785)**
(Loss)/income for the year	**139**	**(7,063)**	**(5,547)**
Exchange differences on translation of foreign operations	**–**	**–**	**13**
Total comprehensive income/(loss) for the year	**139**	**(7,063)**	**(5,534)**
Current assets	**466**	**9,910**	**9,380**
Non-current assets	**4,390**	**1,183**	**1,514**
Current liabilities	**(224)**	**(18,361)**	**(2,848)**
Non-current liabilities	**–**	**(1,867)**	**(4,163)**
Cash and cash equivalents	**33**	**4,595**	**8,010**

	Shanghai Feican Restaurant Management Co., Ltd. RMB'000	Shanghai Mizhilian Restaurant Management Co., Ltd. RMB'000	X&D Hongkong Limited RMB'000
2020			
Revenue	2,403	3,249	7,852
Total expenses	(5,123)	(1,893)	(11,601)
Income/(loss) for the year	(2,720)	1,356	(3,749)
Exchange differences on translation of foreign operations	–	–	(9)
Total comprehensive income/(loss) for the year	(2,720)	1,356	(3,758)
Current assets	1,773	11,703	11,162
Non-current assets	4,387	2,719	575
Current liabilities	(1,418)	(13,294)	(1,986)
Non-current liabilities	–	(2,784)	(336)
Cash and cash equivalents	311	9,700	–

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of RMB179,822,000 (2020: RMB41,058,000) and RMB179,822,000 (2020: RMB40,370,000), respectively, in respect of lease arrangements for restaurant properties.

During the year, the Group received a dividend amounting to RMB400,000 from Yancheng Guanhua by offsetting a trade payable to Yancheng Guanhua (2020: RMB800,000).

(b) Changes in liabilities arising from financing activities

For the year ended 31 December 2021:

	Lease liabilities RMB'000	Bank and other loans RMB'000
At 1 January 2021	**216,545**	**38,995**
Changes from financing cash flows	**(101,373)**	**(7,322)**
New leases	**179,822**	**–**
Interest expense	**17,728**	**–**
Interest paid classified as operating cash flows	**(17,728)**	**–**
Covid-19-related rent concessions from lessors	**(782)**	**–**
Disposal	**(14,240)**	**–**
Exchange realignment	**(581)**	**(421)**
At 31 December 2021	**279,391**	**31,252**

For the year ended 31 December 2020:

	Lease liabilities RMB'000	Bank and other loans RMB'000
At 1 January 2020	342,461	12,362
Changes from financing cash flows	(91,256)	27,413
New leases	40,370	–
Interest expense	15,134	–
Interest paid classified as operating cash flows	(15,134)	–
Covid-19-related rent concessions from lessors	(30,865)	–
Disposal	(42,301)	–
Exchange realignment	(1,864)	(780)
At 31 December 2020	216,545	38,995

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 **RMB'000**	2020 RMB'000
Within operating activities	**4,014**	41,642
Within financing activities	**119,101**	91,256
Total cash outflow	**123,115**	132,898

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank loans are included in Notes 22 and 25 to the financial statements.

34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contracted, but not provided for:		
Leasehold improvements	**6,469**	1,714

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

		Year ended 31 December	
		2021	2020
	Notes	**RMB'000**	RMB'000
Actual spending of pre-paid cards	(i)	**7,112**	12,040
Commission paid for pre-paid cards	(i)	**52**	129

Notes:

(i) The Group entered into a pre-paid card agreement in 2014 with Shanghai Hui Feng Restaurant Management Co., Ltd. ("**Hui Feng Management**") a company indirectly owned by Wang Bai Xuan Tiffany, who is the daughter of the Controlling Shareholder of the Company. Pursuant to the agreement, the pre-paid cards can be used at the Shanghai Min Restaurants, the WH Ming Hotel as well as other businesses operated by the Controlling Shareholder. The actual spending is the amount which the pre-paid card holders have actually spent at the Shanghai Min Restaurants (including Shanghai Min, Maison De L'Hui, the Dining Room and Shanghai Min's family restaurants) via the pre-paid cards, which amounted to RMB7,112,000 (2020: RMB12,040,000).

The commission rate payable to Hui Feng Management is 1% of the actual dining expenses, spent by pre-paid card holders for every bill (before discount (if any)) at the Shanghai Min Restaurants, which amounted to RMB52,000 (2020: RMB129,000).

(b) Outstanding balances with related parties

The amounts due from/to related parties are disclosed in Note 21 and Note 24 to the financial statements.

(c) Compensation of key management personnel of the Group

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Short-term employee benefits	**5,232**	8,177
Share Award Scheme expenses	**2,999**	2,923
Total compensation paid to key management personnel	**8,231**	11,100

Further details of directors' and the chief executive's emoluments are included in Note 8 to the financial statements.

The related party transactions with the Controlling Shareholder, directors of the Company and companies owned by the Controlling Shareholder or directors of the Company also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2021

Financial assets

	Financial assets at fair value through other comprehensive income: Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	5,000	–	5,000
Long-term rental deposits	–	35,161	35,161
Trade receivables	–	5,468	5,468
Financial assets included in prepayments, other receivables and other assets	–	29,889	29,889
Pledged deposits	–	19,376	19,376
Cash and cash equivalents	–	78,453	78,453
	5,000	168,347	173,347

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	42,728
Financial liabilities included in other payables and accruals	109,334
Lease liabilities	279,391
Interest-bearing bank loans	31,252
	462,705

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

31 December 2020

Financial assets

	Financial assets at fair value through other comprehensive income: Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	18,025	–	18,025
Long-term rental deposits	–	55,246	55,246
Trade receivables	–	16,624	16,624
Financial assets included in prepayments, other receivables and other assets	–	28,613	28,613
Pledged deposits	–	14,894	14,894
Cash and cash equivalents	–	113,376	113,376
	18,025	228,753	246,778

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	73,489
Financial liabilities included in other payables and accruals	40,729
Lease liabilities	216,545
Interest-bearing bank loans	38,995
	369,758

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, long-term rental deposits, other long-term receivables, lease liabilities, trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank loans approximate to their carrying amounts.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following table provides the fair value measurement hierarchy of the Company's financial instruments measured at fair value as at 31 December 2021:

Financial assets measured at fair value
As at 31 December 2021

	Fair value measurements categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income:				
Unlisted equity investment, at fair value	–	–	5,000	5,000
Listed equity investment, at fair value	–	–	–	–
	–	–	5,000	5,000

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Financial assets measured at fair value *(continued)*

As at 31 December 2020

	Fair value measurements categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income:				
Unlisted equity investment, at fair value	–	–	10,000	10,000
Listed equity investment, at fair value	8,025	–	–	8,025
	8,025	–	10,000	18,025

There have been no transfers between Level 1 and Level 2 during the years ended 31 December 2021 and 2020.

The fair value of the listed equity investment through other comprehensive income is based on quoted market prices.

The fair value of the unlisted equity investment through other comprehensive income falls within Level 3 of the fair value hierarchy due to the significant unobservable inputs used in the valuation. The following table shows the valuation technique used in the determination of fair value of the unlisted equity investment.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Discounted cash flow method	Expected yield	RMB400,000 to RMB744,000	10% increase (decrease) in expected yield would result in increase (decrease) in fair value by RMB487,837

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

None of the Group's sales or purchases for the year ended 31 December 2021 (2020: Nil) is denominated in currencies other than the functional currency of the relevant subsidiaries. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's cash and bank balances when they are denominated in a different currency from the functional currencies of the relevant subsidiaries of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in USD rate %	Increase/ (decrease) in profit before tax RMB'000
2021		
If RMB strengthens against USD	**(5)**	**(544)**
If RMB weakens against USD	**5**	**544**
2020		
If RMB strengthens against USD	(5)	(25)
If RMB weakens against USD	5	25

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. Payments for imported materials or services and remittance of earnings outside of the PRC are subject to the availability of foreign currencies which depends on the foreign currency denominated earnings of the enterprises, or must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchases of imported materials and remittance of earnings. While conversion of RMB to Hong Kong dollars or other foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

Interest rate risk

The Group's earnings are affected by changes in interest rates due to the impact of such changes on interest income and expenses from interest-bearing financial assets and liabilities. The Group's interest-bearing financial assets and liabilities comprise primarily cash at banks and interest-bearing bank borrowings. Management closely monitors the interest rate exposure and assesses its impact on the Group's performance.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
2021		
If interests rate increases	**50**	**(256)**
If interests rate decreases	**(50)**	**256**
2020		
If interests rate increases	50	(320)
If interests rate decreases	(50)	320

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors. The carrying amounts of restricted cash, cash and bank balances, financial assets included in prepayments, other receivables and other assets in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

All cash and bank balances were deposited in high-credit-quality financial institutions without significant credit risk.

The Group has established a policy to perform an assessment at 31 December 2021 of whether a financial instrument's credit risk has increased significantly since initial recognition by considering its other receivables into Stage 1 and Stage 2, as described below:

Stage 1 – When other receivables are first recognised, the Group records an allowance based on 12-month ECLs

Stage 2 – When other receivables have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs

Management also regularly reviews the recoverability of these receivables and follows up the dispute or amount overdue, if any. Except for the impairment allowance provided, the management is of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

The Group applies the simplified approach to make provision for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss allowance provision for these balances was RMB2,535,000 (2020: RMB476,000) during the year ended 31 December 2021.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in Note 20 and Note 21.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

31 December 2021

	12 months ECL RMB'000	Lifetime ECL not credit impaired RMB'000	Simplified approach RMB'000	Total RMB'000
Long term rental deposits	**35,161**	**–**	**–**	**35,161**
Trade receivables	**–**	**–**	**5,468**	**5,468**
Financial assets included in Prepayments, other receivables and other assets	**29,889**	**–**	**–**	**29,889**
Pledged deposits	**19,376**	**–**	**–**	**19,376**
Cash and cash equivalents	**78,453**	**–**	**–**	**78,453**
	162,879	**–**	**5,468**	**168,347**

31 December 2020

	12 months ECL RMB'000	Lifetime ECL not credit impaired RMB'000	Simplified approach RMB'000	Total RMB'000
Long-term rental deposits	55,246	–	–	55,246
Trade receivables	–	–	16,624	16,624
Financial assets included in Prepayments, other receivables and other assets	28,163	–	–	28,163
Pledged deposits	14,894	–	–	14,894
Cash and cash equivalents	113,376	–	–	113,376
	211,679	–	16,624	228,303

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As at 31 December 2021 and 2020, the Group had interest-bearing bank loans of RMB31,542,000 and RMB38,995,000, respectively. The directors review the Group's working capital and capital expenditure requirements and consider the liquidity risk is manageable.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2021

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	**31,252**	**31,517**	**21,494**	**10,023**	–	–	**31,517**
Trade payables	**42,728**	**42,728**	**42,728**	–	–	–	**42,728**
Financial liabilities included in other payables and accruals	**109,334**	**109,334**	**109,334**	–	–	–	**109,334**
Lease liabilities	**279,391**	**313,159**	**30,951**	**83,682**	**198,526**	–	**313,159**
	462,705	**496,738**	**204,507**	**93,705**	**198,526**	–	**496,738**

31 December 2020

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	38,995	39,306	12,625	26,681	–	–	39,306
Trade payables	73,489	73,489	73,489	–	–	–	73,489
Financial liabilities included in other payables and accruals	37,406	37,406	37,406	–	–	–	37,406
Lease liabilities	216,545	243,416	31,604	62,932	148,880	–	243,416
	366,435	393,617	155,124	89,613	148,880	–	393,617

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the reporting periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing borrowings, trade payables and other payables and accruals, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Interest-bearing bank loans	**31,252**	38,995
Trade payables	**42,728**	73,489
Other payables and accruals	**118,441**	123,168
Less: Cash and cash equivalents	**(78,453)**	(113,376)
Pledged deposits	**(19,376)**	(14,894)
Net debt	**94,592**	107,382
Equity attributable to owners of the parent	**36,849**	114,932
Capital and net debt	**131,441**	222,314
Gearing ratio	**71.97%**	48.30%

39. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Company or by the Group after 31 December 2021.

40. COMPARATIVE FIGURES

The carrying amount of a trademark of RMB12,709,000 as at 31 December 2020 was previously included in the balance of prepayments, other receivables and other assets and subject to amortisation. RMB11,997,000 of trademark after amortization and before impairment has been shown separately under other intangible assets in non-current assets in the current year. Accordingly, opening balance of the trademark has been restated at RMB12,709,000.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS		
Investment in subsidiaries	**15,928**	455,223
Total non-current assets	**15,928**	455,223
CURRENT ASSETS		
Cash and cash equivalents	**19,170**	4,395
Total current assets	**19,170**	4,395
CURRENT LIABILITIES		
Interest-bearing bank loans	**–**	–
Total current liabilities	**–**	–
NET CURRENT ASSETS	**19,170**	4,395
TOTAL ASSETS LESS CURRENT LIABILITIES	**35,098**	459,618
Net assets	**35,098**	459,618
EQUITY		
Equity attributable to owners of the parent		
Share capital	**18,393**	18,393
Other reserves	**16,705**	441,225
Total equity	**35,098**	459,618

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

	Share premium RMB'000	Capital redemption RMB'000	Capital reserve RMB'000	Exchange Fluctuation reserve RMB'000	Share Option reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Treasury Shares RMB'000	Share Award Scheme reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	**723,723**	**27**	**59,312**	**15,113**	**20,582**	**(319,853)**	**(9,626)**	**–**	**(48,053)**	**441,225**
Total comprehensive loss for the year	**–**	**–**	**–**	**210,716**	**–**	**(134)**	**–**	**–**	**(638,101)**	**(427,519)**
Transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**–**	**–**	**(1,171)**	**–**	**–**	**–**	**1,171**	**–**
Share Award Scheme expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,999**	**–**	**2,999**
Transfer of loss of disposal of equity investment at fair value through other comprehensive income to retained earnings	**119**	**–**	**–**	**–**	**–**	**319,987**	**–**	**–**	**(319,987)**	**–**
At 31 December 2021	**723,723**	**27**	**59,312**	**225,829**	**19,411**	**–**	**(9,626)**	**2,999**	**(1,004,970)**	**16,705**
At 1 January 2020	723,842	27	59,312	63,097	24,162	(323,188)	–	–	(41,931)	505,321
Total comprehensive income for the year	–	–	–	(47,984)	–	3,335	–	–	(9,702)	(54,351)
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	(3,580)	–	–	–	3,580	–
Share Award Scheme expenses	–	–	–	–	–	–	–	5,648	–	5,648
Share purchased	–	–	–	–	–	–	(15,393)	–	–	(15,393)
Transfer of treasury shares upon vesting under Share Award Scheme	(119)	–	–	–	–	–	5,767	(5,648)	–	–
At 31 December 2020	723,723	27	59,312	15,113	20,582	(319,853)	(9,626)	–	(48,053)	441,225

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of directors on 21 April 2022.

FIVE YEARS FINANCIAL SUMMARY

RMB'000	2017	2018	2019	2020	**2021**
Revenue	1,637,197	1,497,589	1,228,857	644,386	**691,517**
Cost of sales	(451,065)	(428,964)	(371,814)	(207,658)	**(222,702)**
Gross profit	1,186,132	1,068,625	857,043	436,728	**468,815**
Other income and gains	27,043	22,810	16,428	24,390	**46,009**
Selling and distribution costs	(928,306)	(897,010)	(815,102)	(498,374)	**(415,988)**
Administrative expenses	(120,773)	(137,768)	(114,645)	(96,304)	**(76,003)**
Other expenses	(8,371)	(99,667)	(55,816)	(134,953)	**(91,206)**
Finance costs	(16,668)	(13,272)	(30,889)	(16,283)	**(18,783)**
PROFIT BEFORE TAX	139,057	(56,282)	(142,981)	(284,796)	**(87,156)**
Income tax expense	(36,924)	(20,302)	(20,279)	(35,732)	**(622)**
PROFIT FOR THE YEAR FROM THE CONTINUING BUSINESS	102,133	(76,584)	(163,260)	(320,528)	**(87,778)**
Profit from a discontinued operation	(195)	(3,012)	0	0	**0**
Profit for the Year	101,938	(79,596)	(163,260)	(320,528)	**(87,778)**
Attributable to:					
Owners of the parent	101,677	(76,032)	(164,471)	(318,752)	**(82,368)**
Non-controlling interests	261	(3,564)	1,211	(1,776)	**(5,410)**
Total non-current assets	908,477	530,902	686,100	358,647	**328,146**
Total current assets	714,324	682,439	348,314	237,337	**202,619**
Total current liabilities	554,295	479,116	365,599	339,536	**302,839**
Total assets less current liabilities	1,068,506	734,225	668,815	256,448	**227,926**
Total non-current liabilities	168,101	67,457	218,492	137,057	**192,235**
Net assets	900,405	666,768	450,323	119,391	**35,691**

Note: The amounts in statement of profit or loss for each year in the five years financial summary have been re-presented as if the POKKA HK operation discontinued during the year 2018 had been discontinued since it was acquired in 2015.