上海小南国

SHANGHAI XNG HOLDINGS LIMITED

Shanghai XNG Holdings Limited
上海小南国控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3666)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2022 (unaudited)	2021 (unaudited)	*% Change (decrease)/ increase*
Revenue (RMB'000)	**145,120**	386,194	(62.4)%
Gross profit[1] (RMB'000)	**97,381**	256,575	(62.0)%
Gross profit margin[2]	**67.1%**	66.4%	0.7%
Loss for the period (RMB'000)	**(68,488)**	(5,366)	(1,176.3)%
Net loss margin[3]	**(47.2)%**	(1.4)%	45.8%
Loss per share – Basic	**RMB(3.29) cents**	RMB(0.27) cents	(1,318.5)%
Number of restaurants (as at 30 June)	**45**	52	

Notes:

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

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

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

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Shanghai XNG Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2022 (the "**Reporting Period**") together with unaudited comparative figures for the corresponding period in the year 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2022

		Six-month period ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**145,120**	386,194
Cost of sales		**(47,739)**	(129,619)
Gross profit		**97,381**	256,575
Other income and gains	*4*	**14,661**	5,379
Selling and distribution expenses		**(142,617)**	(211,782)
Administrative expenses		**(23,578)**	(36,412)
Other expenses		**(12,024)**	(8,436)
Finance costs	*6*	**(7,667)**	(9,420)
LOSS BEFORE TAX	*5*	**(73,844)**	(4,096)
Income tax credit/(expense)	*7*	**5,356**	(1,270)
LOSS FOR THE PERIOD		**(68,488)**	(5,366)

	Note	Six-month period ended 30 June **2022** ***RMB'000*** **(unaudited)**	2021 *RMB'000* (unaudited)
Attributable to:			
Owners of the parent		**(70,773)**	(5,753)
Non-controlling interests		**2,285**	387
		(68,488)	(5,366)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For loss for the period	*9*	**RMB(3.29) cents**	RMB(0.27) cents
Diluted			
– For loss for the period	*9*	**RMB(3.29) cents**	RMB(0.27) cents

Details of the dividends declared for the period are disclosed in Note 8 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six-month period ended 30 June 2022

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	**(68,488)**	(5,366)
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(729)**	2,817
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(729)**	2,817
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated as fair value through other comprehensive income:		
Changes in fair value	**–**	5,470
Income tax effect	**–**	(30)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent period	**–**	5,440
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(729)**	8,257
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(69,217)**	2,891
Attributable to:		
Owners of the parent	**(71,499)**	2,505
Non-controlling interests	**2,282**	386
	(69,217)	2,891

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment		**42,308**	53,377
Right-of-use assets		**182,902**	210,008
Other intangible assets		**1,679**	1,930
Equity investments designated at fair value through other comprehensive income		**5,000**	5,000
Long-term rental deposits		**32,808**	35,161
Deferred tax assets		**28,528**	22,670
Total non-current assets		**293,225**	328,146
CURRENT ASSETS			
Inventories		**9,462**	9,954
Trade receivables	*10*	**3,910**	5,468
Prepayments, other receivables and other assets		**53,846**	89,368
Pledged deposits	*11*	**14,400**	19,376
Cash and cash equivalents	*11*	**53,943**	78,453
Total current assets		**135,561**	202,619
CURRENT LIABILITIES			
Trade payables	*12*	**45,257**	42,728
Other payables and accruals		**134,715**	118,441
Interest-bearing bank loans		**27,728**	31,252
Lease liabilities		**91,913**	101,243
Tax payables		**9,188**	9,175
Total current liabilities		**308,801**	302,839
NET CURRENT LIABILITIES		**(173,240)**	(100,220)
TOTAL ASSETS LESS CURRENT LIABILITIES		**119,985**	227,926

	Note	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**138,765**	178,148
Long-term payables		**5,944**	6,218
Deferred tax liabilities		**8,187**	7,869
Total non-current liabilities		**152,896**	192,235
Net (liabilities)/assets		**(32,911)**	35,691
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**18,393**	18,393
Treasury shares	*13*	**(3,964)**	(9,626)
Other reserves		**(48,464)**	28,082
		(34,035)	36,849
Non-controlling interests		**1,124**	(1,158)
Total equity		**(32,911)**	35,691

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

Net liability

As at 30 June 2022, the liabilities of the Group exceeded its assets by approximately RMB32.9 million. In the opinion of the directors, the net liability position was mainly caused by the loss from restaurant operations influenced by COVID-19 pandemic. The directors have prepared these financial statements on a going concern basis based on the cash flow forecast which indicated the Group will generate sufficient cash inflows from operating activities and financing from bank loans, to meet its financial obligations when they fall due.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for new standards effective as of 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Group in determining the costs of fulfilling the contracts. The Group has therefore recognised an onerous contract provision, which remained unchanged as of 30 June 2022 as the Group had not yet fulfilled its obligations under the contract.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the HKASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of 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, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

(a) Revenue from external customers

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Chinese Mainland	**125,156**	351,817
Hong Kong	**19,964**	34,377
	145,120	386,194

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

(b) Non-current assets

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Chinese Mainland	**218,110**	262,731
Hong Kong	**8,780**	2,584
	226,890	265,315

The non-current asset information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income, pledged deposits, other long-term receivables 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 six-month period ended 30 June 2022 and 2021 segment information is not presented in accordance with IFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers	**145,120**	386,194

Disaggregated revenue information for revenue from contracts with customers

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Types of goods or services		
Restaurant operations	**137,090**	377,066
Sale of packed foods	**6,042**	7,569
Management fee from franchisee	**1,988**	1,559
Total revenue from contracts with customers	**145,120**	386,194

Other income and gains

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants*	**1,931**	1,934
Interest income	**268**	336
Management fee income	**41**	442
Gain on disposal of right-of-use assets for early terminated leases	**10,387**	1,830
Reversal of impairment loss on other receivables	**439**	–
VAT related income	**259**	–
Others	**1,336**	837
	14,661	5,379

* There is no unfulfilled conditions or contingencies attaching to government grants that had been recognised.

5. LOSS BEFORE TAX

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

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories consumed	**47,739**	129,619
Depreciation of property and equipment	**10,705**	19,457
Amortisation of other intangible assets	**258**	804
Lease expenses	**3,131**	7,035
Depreciation of right-of-use assets	**36,341**	40,561
(Reversal)/impairment of the financial assets included in prepayments and other receivables	**(439)**	2,139
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**55,869**	105,750
Defined contribution pension scheme	**9,774**	9,360
Share Award Scheme expenses	**2,547**	–
	68,190	115,110
Interest income	**(268)**	(336)
Loss on disposal of items of property and equipment	**6,256**	274
Gain on disposal of right-of-use assets for early terminated lease	**(10,387)**	(1,830)

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on lease liabilities	**7,140**	8,844
Interest on bank loans	**527**	576
	7,667	9,420

7. INCOME TAX

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – Chinese Mainland charged for the period	**164**	3,227
Current – Hong Kong and elsewhere charged for the period	**21**	–
Deferred tax	**(5,541)**	(1,957)
Total tax (credited)/expenses for the period	**(5,356)**	1,270

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% on the estimated assessable profits arising in Hong Kong during the period.

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.

8. DIVIDENDS

No interim dividend was proposed during the six-month period ended 30 June 2022 (six-month period ended 30 June 2021: Nil).

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

The calculation of basic loss per share is based on the consolidated loss attributable to ordinary equity holders of the parent and weighted average number of ordinary shares of 2,151,482,000 (30 June 2021: 2,106,993,000) in issue throughout the period.

The calculation of diluted loss per share amount is based on the loss for the period 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 period, as used in the basic earnings 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 calculations of basic and diluted loss per share are based on:

	Six-month period ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(70,773)**	(5,753)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	**2,151,482,000**	2,106,993,000

* Adjusted for the Treasury shares held by the Group.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash, credit card, 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:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**1,610**	4,165
1 to 2 months	**130**	73
2 to 3 months	**63**	50
Over 3 months	**2,107**	1,180
	3,910	5,468

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

11. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2022 *RMB'000* **(unaudited)**	31 December 2021 *RMB'000* (audited)
Cash and bank balances	**53,943**	78,453
Time deposits with original maturity of less than three months	**9,600**	–
Time deposits with original maturity of over three months	**4,800**	19,376
	68,343	97,829
Less: Pledged time deposits for bank loans:		
– Current portion	**(14,400)**	(19,376)
Cash and cash equivalents	**53,943**	78,453

As at 30 June 2022, RMB14,400,000 of time deposits were pledged for bank loans borrowed by the Group (31 December 2021: RMB19,376,000).

At the end of the Reporting Period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB35,998,000 (31 December 2021: RMB51,156,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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.

12. 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:

	30 June 2022 *RMB'000* **(unaudited)**	31 December 2021 *RMB'000* (audited)
Within 3 months	**7,662**	22,854
3 months to 1 year	**19,750**	2,350
Over 1 year	**17,845**	17,524
	45,257	42,728

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

13. SHARE CAPITAL

Shares

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
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	**Treasury shares**	**Share premium account**	**Capital redemption reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	18,393	(9,626)	723,723	27	732,517
Share repurchased	–	(1,932)	–	–	(1,932)
Transfer of treasury shares upon vesting under Share Award Scheme	–	7,594	–	–	7,594
At 31 December 2021 and 30 June 2022	18,393	(3,964)	723,723	27	738,179

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2022, the Group's revenue amounted to RMB145.1 million, which mainly comprised the revenue of restaurant operations of RMB137.1 million and other revenue of RMB8.0 million (including the revenue from sales of packed goods of RMB6.0 million), with a decrease of RMB241.1 million or 62.4% from RMB386.2 million in the corresponding period of last year; the Group's gross profit amounted to RMB97.4 million, with a decrease of approximately RMB159.2 million or 62.0% from RMB256.6 million in the corresponding period of last year. During the six months ended 30 June 2022, the loss attributable to the parent company owner was approximately RMB70.8 million, representing an increase of RMB65.0 million in the corresponding period of last year.

As of 30 June 2022, the Group operated a restaurant network of 35 "Shanghai Min" restaurants, 1 "Maison De L'Hui" restaurant, 7 "The Dining Room" restaurants, 1 "Wolfgang Puck" restaurant, 1 "Oreno" restaurant which covers some of the most affluent and fast-growing cities in Mainland China (Note(ii)) and Hong Kong. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, for the six-month periods ended 30 June 2022 and 2021, respectively.

	For the six months ended 30 June			
	2022		2021	
	Number of restaurants	**Revenue**	Number of restaurants	Revenue
		RMB'000		*RMB'000*
	(Note (iii))	**(unaudited)**		(unaudited)
The PRC *(Note (ii))*				
– Shanghai Min and Maison De L'Hui	**34**	**102,015**	36	287,045
– The Dining Room	**4**	**10,231**	8	40,546
– Other brands *(Note (iv))*	**2**	**4,880**	3	15,097
Hong Kong				
– Shanghai Min	**2**	**9,622**	2	15,434
– The Dining Room	**3**	**10,342**	3	18,944
Total Revenue of restaurant operations *(Note (ii))*	**45**	**137,090**	52	377,066
Other revenue		**8,030**		9,128
Total Revenue		**145,120**		386,194

Notes:

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

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

(iii) The number of restaurants excludes licensed Shanghai Min and The Dining Room stores.

(iv) Other brands include Wolfgang Puck and Oreno.

FINANCIAL REVIEW

REVENUE

Revenue of the Group decreased by RMB241.1 million or 62.4%, from RMB386.2 million for the six months ended 30 June 2021 to RMB145.1 million for the six months ended 30 June 2022. Our results dropped significantly.

Revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB240.0 million, or 64.0% from RMB377.1 million for the six months ended 30 June 2021 to RMB137.1 million for the six months ended 30 June 2022:

- For the six months ended 30 June 2022, the revenue from newly opened restaurants increased by RMB8.1 million;

- A decrease of RMB171.0 million in revenue in comparable restaurant sales for the six months ended 30 June 2022 as compared to the six months ended 30 June 2021;

- A decrease of RMB77.1 million in revenue as a result of a decrease in the number of stores and suspension of business due to store renovation for the six months ended 30 June 2022.

Other revenue

For the six months ended 30 June 2022, other revenue amounted to RMB8.0 million, which mainly comprised income from sales of packed goods amounting to RMB6.0 million.

COST OF SALES

The cost of sales decreased by RMB81.9 million, or 63.2% from RMB129.6 million for the six months ended 30 June 2021 to RMB47.7 million for the six months ended 30 June 2022.

The cost of sales as a percentage of revenue decreased from 33.6% for the six months ended 30 June 2021 to 32.9% for the six months ended 30 June 2022.

OTHER INCOME

Other income increased by RMB9.3 million from RMB5.4 million for the six months ended 30 June 2021 to RMB14.7 million for the six months ended 30 June 2022, which was mainly due to the gain on disposal of right-of-use assets of RMB10.4 million for the current period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by RMB69.2 million, or 32.7% from RMB211.8 million for the six months ended 30 June 2021 to RMB142.6 million for the six months ended 30 June 2022.

Labor expenses decreased by RMB38.0 million from RMB90.7 million for the six months ended 30 June 2021 to RMB52.7 million for the six months ended 30 June 2022. The labor costs as a percentage of revenue increased from 23.5% for the six months ended 30 June 2021 to 36.3% for the six months ended 30 June 2022. This was mainly attributable to a sharp drop in revenue generated from stores in Mainland China for the current Reporting Period caused by the suspension of business amidst the COVID-19 pandemic.

Rental expenses and building management fees decreased by RMB6.6 million, or 28.4% from RMB23.2 million for the six months ended 30 June 2021 to RMB16.6 million for the six months ended 30 June 2022. The rental expenses and building management fees as a percentage of revenue increased from 6% for the six months ended 30 June 2021 to 11.4% for the six months ended 30 June 2022.

Depreciation expenses decreased by RMB12.6 million, or 21.8% from RMB57.7 million for the six months ended 30 June 2021 to RMB45.1 million for the six months ended 30 June 2022. The depreciation expenses as a percentage of the sale revenue increased from 14.9% for the six months ended 30 June 2021 to 31.1% for the six months ended 30 June 2022.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by RMB12.8 million, or 35.2% from RMB36.4 million for the six months ended 30 June 2021 to RMB23.6 million for the six months ended 30 June 2022.

OTHER EXPENSES

Other expenses amounted to RMB12.0 million for the six months ended 30 June 2022, representing an increase of RMB3.6 million as compared with the corresponding period of last year, which was mainly due to the disposal of assets related to the closure of stores of approximately RMB6.7 million for the current Reporting Period.

FINANCE COSTS

Finance costs amounted to RMB7.7 million for the six months ended 30 June 2022, representing a decrease of RMB1.8 million as compared with the same period of last year.

INCOME TAX CREDIT

Income tax credit decreased by RMB6.7 million from the expense of RMB1.3 million for the six months ended 30 June 2021 to the credit of RMB5.4 million for the six months ended 30 June 2022.

LOSS FOR THE PERIOD

As a result of the foregoing reasons, the loss for the Reporting Period of the Group increased by RMB63.1 million from RMB5.4 million for the six months ended 30 June 2021 to RMB68.5 million for the six months ended 30 June 2022. Net loss margin increased from 1.4% for the six months ended 30 June 2021 to 47.2% for the six months ended 30 June 2022.

DIVIDENDS PAYABLE

As at 30 June 2022, there were no outstanding dividends payable.

LIQUIDITY, CAPITAL RESOURCES AND CASH FLOW

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

As at 30 June 2022, the Group's interest-bearing bank loans amounted to RMB27.7 million. The gearing ratio was 132.3%, and the gearing ratio was net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

For the six months ended 30 June 2022, the Group had net cash inflows generated from operating activities of RMB37.3 million (for the six months ended 30 June 2021: inflow of RMB64.0 million). As at 30 June 2022, the Group had RMB53.9 million in cash and cash equivalents (30 June 2021: RMB91.9 million). The following table sets out certain information regarding the consolidated cash flows for the periods ended 30 June 2022 and 2021.

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash flows generated from operating activities	**37,271**	63,955
Net cash flows used in investing activities	**(5,621)**	(2,877)
Net cash flows used in financing activities	**(56,727)**	(85,455)
Net decrease in cash and cash equivalents	**(25,077)**	(24,377)
Cash and cash equivalents at the beginning of the period	**78,453**	113,200
Effect of foreign exchange rate changes, net	**567**	3,097
Cash and cash equivalents at the end of the period	**53,943**	91,920

OPERATING ACTIVITIES

Net cash inflow generated from operating activities decreased by RMB26.7 million, from inflows of RMB64.0 million for the six months ended 30 June 2021 to inflows of RMB37.3 million for the six months ended 30 June 2022. That was mainly due to the impact of COVID-19 pandemic upon the Group's revenue in the first half of 2022.

INVESTING ACTIVITIES

For the six months ended 30 June 2022, net cash flow used in investing activities was RMB5.6 million, and outflows of RMB2.9 million for the same period in 2021. The investment in fixed assets for the period was approximately RMB5.9 million.

FINANCING ACTIVITIES

Net cash flow used in financing activities decreased from RMB85.5 million for the six months ended 30 June 2021 to RMB56.7 million for the six months ended 30 June 2022. During the period, the Group had an additional loan of RMB13.4 million. RMB17.5 million and RMB55.1 million were paid for bank loans and lease liabilities, respectively.

FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses 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 six months ended 30 June 2022 and 30 June 2021 was denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

CAPITAL COMMITMENT

Capital commitments were approximately RMB3.4 million and RMB6.5 million, respectively, as at 30 June 2022 and 31 December 2021.

PLEDGE OF GROUP ASSETS

As at 30 June 2022, bank loans of HK$15.0 million were guaranteed by the pledge of certain fixed deposits of RMB14.4 million by the Group.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the six months ended 30 June 2022.

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2022, there were no other material acquisitions or disposals by the Group and its subsidiaries and associated companies.

Human resources

As at 30 June 2022, the Group employed approximately 707 staff in Mainland China and Hong Kong. In 2022, the Group continued to use a three-dimensional labor structure for full-time employees, hourly employees and trainees and also entered into long-term cooperation plans with a number of domestic education institutions. The Group continued to carry out a number of incentive assessment policies formulated, so as to increase the overall income of employees and to achieve the sharing of benefits between the Company and employees, as well as to improve employee work enthusiasm.

For the six months ended 30 June 2022, total staff cost was RMB68.2 million, accounting for 47% of the revenue (for the six months ended 30 June 2021: RMB115.1 million), which mainly comprised wages and salaries.

FUTURE OUTLOOK

The net loss of the Company for the six months ended 30 June 2022 was mainly attributable to the fact that most of the restaurants located in Shanghai and Beijing were unable to maintain normal operation in the first half of 2022 due to the significant impact of the COVID-19 pandemic.

The uncertainties caused by the pandemic have undoubtedly posed huge crises and challenges for the catering industry, yet we also see opportunities.

While closely monitoring the market and customer developments, the Company has also implemented a series of reforms and adjustments on the composition of business segments and management organizational structure of the Company, focusing on streamlining and concentration, product and service quality improvement, cost reduction and efficiency enhancement.

In response to the impact of the pandemic, the Company has reorganized the affected restaurants, and conducted multiple rounds of negotiations with the property lessors for rent waiver or concession by leveraging its brand advantages. Meanwhile, the Company will analyze and estimate the impact of the pandemic on the property market, strengthen and make full use of its brand advantages to plan for the location selection for future business expansion.

With the gradual easing of the pandemic across many regions and ongoing implementation of various business reform initiatives by the Company, coupled with its robust and prudent financial management and abundant talent pool, the Company is confident in its future development.

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Group did not have any significant events from 30 June 2022 and up to the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its code of corporate governance. For the six months ended 30 June 2022, the Company has complied with the applicable code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as a code of conduct regarding directors' transactions of securities. After specific enquires to all Directors, all the Directors have confirmed that they have complied with the required standard of dealings set out in the Model Code for the Reporting Period.

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

Save as the purchase pursuant to the Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

INTERIM RESULTS REVIEW

The Company has established the audit committee (the "**Audit Committee**") on 30 August 2011 with written terms of reference formulated in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors.

The members of the Audit Committee include Mr. Lui Wai Ming, Mr. Zhang Zhenyu and Ms. Li Yuping. Mr. Lui Wai Ming is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xngholdings.com). The interim report of the Company for the Reporting Period containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

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

Shanghai, the People's Republic of China, 30 August 2022

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