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 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		*% Change*
	2023 **(unaudited)**	2022 (unaudited)	*(decrease)/ increase*
Revenue (RMB'000)	**242,268**	145,120	66.9%
Gross profit[1] (RMB'000)	**162,394**	97,381	66.8%
Gross profit margin[2]	**67.0%**	67.1%	(0.1)%
Loss for the period (RMB'000)	**(3,407)**	(68,488)	(95.0)%
Net loss margin[3]	**(1.4)%**	(47.2)%	45.8%
Number of restaurants (as at 30 June)	**31**	45	

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 2023 (the "**Reporting Period**") together with unaudited comparative figures for the corresponding period in the year 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2023

		Six-month period ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
REVENUE	*4*	**242,268**	145,120
Cost of sales		**(79,874)**	(47,739)
Gross profit		**162,394**	97,381
Other income and gains	*4*	**12,262**	14,661
Selling and distribution expenses		**(143,504)**	(142,617)
Administrative expenses		**(21,358)**	(23,578)
Other expenses		**(5,523)**	(12,024)
Finance costs	*6*	**(5,855)**	(7,667)
LOSS BEFORE TAX	*5*	**(1,584)**	(73,844)
Income tax (expense)/credit	*7*	**(1,823)**	5,356
LOSS FOR THE PERIOD		**(3,407)**	(68,488)
Attributable to:			
Owners of the parent		**(3,141)**	(70,773)
Non-controlling interests		**(266)**	2,285
		(3,407)	(68,488)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 June 2023

	Six-month period ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	**(3,407)**	(68,488)
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(328)**	(729)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(328)**	(729)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(3,735)**	(69,217)
Attributable to:		
Owners of the parent	**(3,466)**	(71,499)
Non-controlling interests	**(269)**	2,282
	(3,735)	(69,217)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 *RMB'000* (unaudited)**	31 December 2022 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property and equipment		**30,938**	40,451
Right-of-use assets		**127,714**	164,329
Other intangible assets		**1,304**	1,440
Equity investments designated at fair value through other comprehensive income		**–**	5,000
Long-term rental deposits		**28,161**	31,059
Deferred tax assets		**30,645**	32,675
Total non-current assets		**218,762**	274,954
CURRENT ASSETS			
Inventories		**6,369**	8,069
Trade receivables	*10*	**5,596**	4,760
Prepayments, other receivables and other assets		**19,092**	23,253
Pledged deposits	*11*	**5,100**	15,045
Cash and cash equivalents	*11*	**66,366**	52,255
Total current assets		**102,523**	103,382
CURRENT LIABILITIES			
Trade payables	*12*	**56,394**	44,699
Other payables and accruals		**99,453**	120,036
Interest-bearing bank loans		**31,611**	28,400
Lease liabilities		**72,739**	86,885
Tax payables		**361**	647
Total current liabilities		**260,558**	280,667
NET CURRENT LIABILITIES		**(158,035)**	(177,285)
TOTAL ASSETS LESS CURRENT LIABILITIES		**60,727**	97,669

	Note	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**89,239**	122,366
Long-term payables		**5,264**	5,443
Total non-current liabilities		**94,503**	127,809
Net liabilities		**(33,776)**	(30,140)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**18,393**	18,393
Treasury shares	*13*	**(1,523)**	(894)
Other reserves		**(49,954)**	(47,216)
		(33,084)	(29,717)
Non-controlling interests		**(692)**	(423)
Total deficit		**(33,776)**	(30,140)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

Net liability

As at 30 June 2023, the liabilities of the Group exceeded its assets by approximately RMB33.7 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 2022, except for new standards effective as of 1 January 2023. 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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

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

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

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

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

Amendments to IAS 8 Definition of Accounting Estimates

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

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

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

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

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

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

IFRS 17 Insurance contracts

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

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 and Wolfgang Puck).

Geographical information

(a) Revenue from external customers

	Six-month period ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Mainland China	**211,945**	125,156
Hong Kong	**30,323**	19,964
	242,268	145,120

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

(b) Non-current assets

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Mainland China	**147,284**	195,725
Hong Kong	**12,672**	10,495
	159,956	206,220

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 2023 and 2022 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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers	**242,268**	145,120

Disaggregated revenue information for revenue from contracts with customers

	Six-month period ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Types of goods or services		
Restaurant operations	**236,643**	137,090
Sale of packed foods	**4,168**	6,042
Management fee from franchisee	**1,457**	1,988
Total revenue from contracts with customers	**242,268**	145,120

Other income and gains

	Six-month period ended 30 June **2023** *RMB'000* **(unaudited)**	2022 *RMB'000* (unaudited)
Government grants*	**555**	1,931
Interest income	**264**	268
Management fee income	**110**	41
Gain on disposal of right-of-use assets for early terminated leases	**1,345**	10,387
Dividend income from equity investments at fair value through other comprehensive income	**300**	–
Reversal of impairment loss on trade receivables	**284**	–
Reversal of impairment loss on other receivables	**1,019**	439
Reversal of impairment loss on right of use assets	**3,002**	–
VAT related income	**5,335**	259
Others	**48**	1,336
	12,262	14,661

* 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 **2023** *RMB'000* **(unaudited)**	2022 *RMB'000* (unaudited)
Cost of inventories consumed	**79,874**	47,739
Depreciation of property and equipment	**9,349**	10,705
Amortisation of other intangible assets	**136**	258
Lease expenses	**3,503**	3,131
Depreciation of right-of-use assets	**33,235**	36,341
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**72,648**	55,869
Defined contribution pension scheme	**8,193**	9,774
Share Award Scheme expenses	**728**	2,547
	81,569	68,190
Interest income	**(264)**	(268)
Loss on disposal of items of property and equipment	**2,210**	6,256

6. FINANCE COSTS

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

	Six-month period ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on lease liabilities	**5,032**	7,140
Interest on bank loans	**823**	527
	5,855	7,667

7. INCOME TAX

	Six-month period ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – Mainland China charged for the period	**(168)**	164
Current – Hong Kong and elsewhere charged for the period	**–**	21
Deferred tax	**1,991**	(5,541)
Total tax expenses/(credit) for the period	**1,823**	(5,356)

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 2023 (six-month period ended 30 June 2022: 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 2,188,297,000 (30 June 2022: 2,151,482,000) 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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Losses		
Loss attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(3,141)**	(70,773)
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	**2,188,297,000**	2,151,482,000

* 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 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1 month	**4,195**	2,805
1 to 2 months	**25**	651
2 to 3 months	**151**	27
Over 3 months	**1,225**	1,277
	5,596	4,760

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 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Cash and bank balances	**61,676**	47,356
Other restricted bank balances (Note)	**4,690**	4,680
Time deposits with original maturity of less than three months	**300**	10,319
Time deposits with original maturity of over three months	**4,800**	4,945
	71,466	67,300
Less: Pledged time deposits for bank loans:		
– Current portion	**(5,100)**	(15,045)
Cash and cash equivalents	**66,366**	52,255

As at 30 June 2023, RMB5,100,000 of time deposits were pledged for bank loans borrowed by the Group (31 December 2022: RMB15,045,000).

At the end of the Reporting Period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB61,161,000 (31 December 2022: RMB44,596,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Note: As at 30 June 2023, bank balance of approximately RMB4,690,000 (31 December 2022: RMB4,680,000) was restricted for a pending legal dispute ordered by the court in the PRC.

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 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
Within 3 months	**22,088**	13,206
3 months to 1 year	**30,517**	28,071
Over 1 year	**3,789**	3,422
	56,394	44,699

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

13. SHARE CAPITAL

Shares

	30 June 2023 *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (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 *RMB'000*	**Treasury shares** *RMB'000*	**Share premium account** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Total** *RMB'000*
At 31 December 2022 and 1 January 2023	18,393	(894)	723,723	27	741,249
Repurchase of shares for the Share Award Scheme	–	(629)	–	–	(629)
At 30 June 2023	18,393	(1,523)	723,723	27	740,620

The trustee under the Share Award Scheme purchased 10,372,000 shares and all of the shares were through the Share Award Scheme on the Hong Kong Stock Exchange during 2023 for a total consideration of HK$714,000 and no shares vested on 30 June 2023 under the Share Award Scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group's revenue amounted to RMB242.3 million, which mainly comprised the revenue of restaurant operations of RMB236.7 million and other revenue of RMB5.6 million (including the revenue from sales of packed goods of RMB4.2 million), with an increase of RMB97.2 million or 66.9% from RMB145.1 million in the corresponding period of last year. The Group's gross profit amounted to RMB162.4 million, with an increase of approximately RMB65.0 million or 66.8% from RMB97.4 million in the corresponding period of last year. During the six months ended 30 June 2023, the loss attributable to the parent company owner was approximately RMB3.1 million, representing a decrease of RMB67.6 million as compared with the corresponding period of last year.

As of 30 June 2023, the Group operated a restaurant network of 25 "Shanghai Min" restaurants, 1 "Maison De L'Hui" restaurant, 4 "The Dining Room" restaurants, 1 "Wolfgang Puck" restaurant, which covers some of the most affluent and fast-growing cities in Mainland China *(Note(ii))* and Hong Kong. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, for the six-month periods ended 30 June 2023 and 2022, respectively.

	For the six months ended 30 June			
	2023		2022	
	Number of restaurants	**Revenue**	Number of restaurants	Revenue
		RMB'000		*RMB'000*
	(Note (iii))	**(unaudited)**	*(Note (iii))*	(unaudited)
The PRC *(Note (ii))*				
– Shanghai Min and Maison De L'Hui	**24**	**181,220**	34	102,015
– The Dining Room	**2**	**13,035**	4	10,231
– Other brands *(Note (iv))*	**1**	**12,065**	2	4,880
Hong Kong				
– Shanghai Min	**2**	**16,808**	2	9,622
– The Dining Room	**2**	**13,515**	3	10,342
Total revenue of restaurant operations *(Note (ii))*	**31**	**236,643**	45	137,090
Other revenue		**5,625**		8,030
Total Revenue		**242,268**		145,120

Notes:

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

(ii) The PRC (Mainland area), 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.

FINANCIAL REVIEW

REVENUE

Revenue of the Group increased by RMB97.2 million or 66.9%, from RMB145.1 million for the six months ended 30 June 2022 to RMB242.3 million for the six months ended 30 June 2023. Our results rised significantly with the recovery of the economy.

Revenue of restaurant operations

Total revenue of restaurant operations increased by RMB99.6 million, or 72.6% from RMB137.1 million for the six months ended 30 June 2022 to RMB236.7 million for the six months ended 30 June 2023:

- For the six months ended 30 June 2023, the revenue from newly opened restaurants increased by RMB25.8 million;

- An increase of RMB97.5 million in revenue in comparable restaurant sales for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022; and

- A decrease of RMB23.7 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 2023.

Other revenue

For the six months ended 30 June 2023, other revenue amounted to RMB5.6 million, which mainly comprised income from sales of packed goods amounting to RMB4.2 million.

COST OF SALES

The cost of sales increased by RMB32.2 million, or 67.5% from RMB47.7 million for the six months ended 30 June 2022 to RMB79.9 million for the six months ended 30 June 2023.

The cost of sales as a percentage of revenue increased from 32.9% for the six months ended 30 June 2022 to 33.0% for the six months ended 30 June 2023.

OTHER INCOME

Other income decreased by RMB2.4 million from RMB14.7 million for the six months ended 30 June 2022 to RMB12.3 million for the six months ended 30 June 2023, which included mainly the VAT tax related income of RMB5.3 million and the reversal of the impairment loss on right-of-use assets of RMB3.0 million for the current period.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by RMB0.9 million, or 0.6% from RMB142.6 million for the six months ended 30 June 2022 to RMB143.5 million for the six months ended 30 June 2023.

Labor expenses increased by RMB15.0 million from RMB52.7 million for the six months ended 30 June 2022 to RMB67.7 million for the six months ended 30 June 2023. The labor costs as a percentage of revenue decreased from 36.3% for the six months ended 30 June 2022 to 27.9% for the six months ended 30 June 2023.

Rental expenses and building management fees decreased by RMB1.5 million, or 9% from RMB16.6 million for the six months ended 30 June 2022 to RMB15.1 million for the six months ended 30 June 2023. The rental expenses and building management fees as a percentage of revenue decreased from 11.4% for the six months ended 30 June 2022 to 6.2% for the six months ended 30 June 2023.

Depreciation expenses decreased by RMB4.0 million, or 8.9% from RMB45.1 million for the six months ended 30 June 2022 to RMB41.1 million for the six months ended 30 June 2023. The depreciation expenses as a percentage of the sale revenue decreased from 31.1% for the six months ended 30 June 2022 to 17.0% for the six months ended 30 June 2023.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by RMB2.2 million, or 9.4% from RMB23.6 million for the six months ended 30 June 2022 to RMB21.4 million for the six months ended 30 June 2023.

OTHER EXPENSES

Other expenses amounted to RMB5.5 million for the six months ended 30 June 2023, representing a decrease of RMB6.5 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 RMB4.6 million for the current Reporting Period.

FINANCE COSTS

Finance costs amounted to RMB5.9 million for the six months ended 30 June 2023, representing a decrease of RMB1.8 million as compared with the same period of last year.

INCOME TAX EXPENSE

Income tax expense increased by RMB7.2 million from the credit of RMB5.4 million for the six months ended 30 June 2022 to the expense of RMB1.8 million for the six months ended 30 June 2023.

LOSS FOR THE PERIOD

As a result of the foregoing reasons, the loss for the Reporting Period of the Group decreased by RMB65.1 million from RMB68.5 million for the six months ended 30 June 2022 to RMB3.4 million for the six months ended 30 June 2023. Net loss margin decreased from 47.2% for the six months ended 30 June 2022 to 1.4% for the six months ended 30 June 2023.

DIVIDENDS PAYABLE

As at 30 June 2023, 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 2023, the Group's interest-bearing bank loans amounted to RMB31.6 million. The gearing ratio was 139.9%, 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 2023, the Group had net cash inflows generated from operating activities of RMB43.2 million (for the six months ended 30 June 2022: inflow of RMB37.3 million). As at 30 June 2023, the Group had RMB66.4 million in cash and cash equivalents (30 June 2022: RMB53.9 million). The following table sets out certain information regarding the consolidated cash flows for the periods ended 30 June 2023 and 2022:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Net cash flows generated from operating activities	**43,208**	37,271
Net cash flows generated from/(used in) investing activities	**3,228**	(5,621)
Net cash flows used in financing activities	**(33,077)**	(56,727)
Net increase in cash and cash equivalents	**13,359**	(25,077)
Cash and cash equivalents at the beginning of the period	**52,255**	78,453
Effect of foreign exchange rate changes, net	**752**	567
Cash and cash equivalents at the end of the period	**66,366**	53,943

OPERATING ACTIVITIES

Net cash inflow generated from operating activities increased by RMB5.9 million, from inflows of RMB37.3 million for the six months ended 30 June 2022 to inflows of RMB43.2 million for the six months ended 30 June 2023.

INVESTING ACTIVITIES

For the six months ended 30 June 2023, net cash flow generated from investing activities was RMB3.2 million, and outflows of RMB5.6 million for the same period in 2022. The investment in fixed assets for the period was approximately RMB2.0 million.

FINANCING ACTIVITIES

Net cash flow used in financing activities decreased from RMB56.7 million for the six months ended 30 June 2022 to RMB33.1 million for the six months ended 30 June 2023. During the period, the Group had an additional loan of RMB21.5 million. RMB18.6 million and RMB44.4 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 2023 and 30 June 2022 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 RMBNil and RMB5.3 million, respectively, as at 30 June 2023 and 31 December 2022.

PLEDGE OF GROUP ASSETS

As at 30 June 2023, bank loans of HK$5.0 million (equivalent to RMB4.6 million) were guaranteed by the pledge of certain fixed deposits of RMB5.1 million by the Group.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the six months ended 30 June 2023.

MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2023, there were no other material acquisitions or disposals by the Group and its subsidiaries and associated companies.

Human resources

As at 30 June 2023, the Group employed approximately 647 staff in Mainland China and Hong Kong. In 2023, the Group continued to use a three-dimensional labor structure for full-time employees, hourly employees and trainees and also entered into long-term cooperation plans with a number of domestic 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 2023, total staff cost was RMB81.6 million, accounting for 33.7% of the revenue (for the six months ended 30 June 2022: RMB68.2 million), which mainly comprised wages and salaries.

FUTURE OUTLOOK

At the beginning of 2023, with the easing of the COVID-19 pandemic and relaxing of anti-epidemic measures, the domestic tourism and consumer markets have ushered in a recovery and development. The Group's adjustment of business policies in recent years has also achieved preliminary results.

Meanwhile, we have also seen some fundamental irreversible changes in the market environment after several brutal years of the pandemic. As the operating environment was increasingly challenging for the market, each sector has formed a situation of stock competition.

The Group will adapt to changes in market environment, and adhere to lean and efficient operation, so as to provide consumers with higher cost-effectiveness and more product choices. We strategically prioritize the expansion and diversification of product lines and store models of Chinese cuisine brands, and proactively select locations to leverage on the Group's advantages to expand its business portfolio at a faster pace in the second half of the year; in addition, the Group will actively explore new models for products, new brands and new business other than full meals to reserve resources for development in the future.

SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD

The Group did not have any significant events from 30 June 2023 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 2023.

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 2023, 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 enquiries 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 2023.

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 2023.

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, 31 August 2023

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