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

SINCE.
1987

上海 小南国
SHANGHAI MIN

2023 ANNUAL REPORT

1987 SINCE.

上海 小南国

SHANGHAI MIN

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Wang Huili
Ms. Wu Wen

Independent Non-executive Directors

Mr. Leung Yiu Cho[1]
Mr. Zhang Zhenyu
Ms. Li Yuping

COMPANY SECRETARY

Ms. Chu Cheuk Ting
(resigned with effect from 30 April 2024)
Ms. Chan Yuk Wing
(appointed with effect from 30 April 2024)

AUTHORIZED REPRESENTATIVES

Mr. Gu Dorson *(Chairman)*
Ms. Chu Cheuk Ting
(resigned with effect from 30 April 2024)
Ms. Chan Yuk Wing
(appointed with effect from 30 April 2024)

AUDIT COMMITTEE

Mr. Leung Yiu Cho *(Chairman)*[1]
Mr. Zhang Zhenyu
Ms. Li Yuping

REMUNERATION COMMITTEE

Ms. Li Yuping *(Chairlady)*
Mr. Gu Dorson
Mr. Leung Yiu Cho[1]
Mr. Zhang Zhenyu

NOMINATION COMMITTEE

Mr. Gu Dorson *(Chairman)*
Mr. Leung Yiu Cho[1]
Ms. Li Yuping
Mr. Zhang Zhenyu

RISK MANAGEMENT COMMITTEE

Mr. Gu Dorson *(Chairman)*
Mr. Leung Yiu Cho[1]
Mr. Zhang Zhenyu
Ms. Li Yuping

EXECUTIVE COMMITTEE

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

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 Mr. Lui Wai Ming served as an independent non-executive Director for nearly 9 years and also needs more time for other business commitments, he has tendered his resignation as an independent non-executive Director, the chairman of the Audit Committee, and a member of each of the Remuneration Committee, the Nomination Committee and the Risk Management Committee of the Board on 20 October 2023. Mr. Leung Yiu Cho has been appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of each of the Remuneration Committee, the Nomination Committee and the Risk Management Committee of the Board on 20 October 2023.

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 1302-3 (Reception) & 1802, 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

WILSON & PARTNERS CPA LIMITED
Certified Public Accountants
Registered Public Interest Entity Auditor
Suite 609, 6/F, China Insurance Group Building
141 Des Voeux Road Central
Central, Hong Kong

STOCK CODE

03666

COMPANY'S WEBSITE

www.xngholdings.com

INVESTOR RELATIONS

Email: ir@xngholdings.com

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2023	2022	increase/(decrease)
Revenue (RMB'000)	**450,539**	325,604	38.4%
Gross profit[1] (RMB'000)	**298,992**	219,750	36.1%
Gross margin[2]	**66.4%**	67.5%	(1.1%)
Loss for the year (RMB'000)	**(47,170)**	(66,436)	(29.0%)
Net loss margin[3]	**(10.5%)**	(20.4%)	(9.9%)
Loss per Share – Basic (RMB cents)	**(2.1)**	(3.2)	(34.3%)
Total assets (RMB'000)	**256,010**	378,336	(32.3%)
Net assets (RMB'000)	**(73,752)**	(30,140)	144.7%
Cash and cash equivalents (RMB'000)	**20,658**	47,575	(56.6%)
Net cash[4] (RMB'000)	**(4,342)**	19,175	(122.6%)
Account receivable turnover days[5] (days)	**6.0**	9.0	(32.9%)
Account payable turnover days[6] (days)	**129.4**	150.7	(14.2%)
Inventory turnover days[7] (days)	**15.9**	31.1	(49.0%)
Cash cycle[8] (days)	**(107.5)**	(110.7)	(2.9%)
Gearing ratio[9]	**202.9%**	130.9%	72.0%
Return on total asset[10]	**(14.9%)**	(14.6%)	(0.3%)
Number of restaurants[11] (as at 31 December)	**29**	38	(23.7%)

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 – account payable turnover days.
9. Equivalent to net debts over capital and net debts.
10. Equivalent to net loss over annual average total assets.
11. The number of restaurants as at 31 December 2023 and 31 December 2022 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 consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023.

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 44 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

The Group's result for the year ended 31 December 2023 together with the Company's and the Group's financial conditions as of the date are set out in page 46 to page 48 of the consolidated 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 28 June 2024, the register of members of the Company will be closed from 21 June 2024 to 28 June 2024, 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 20 June 2024.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, none of the Group's sales to the five largest customers amounted to 30% or more of the Group's revenue. In 2023, total purchases attributed to the five largest suppliers and the largest supplier of the Group were approximately 37.3% and 15.4% 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 OPTION SCHEME

Details of the movements of the Company's share capital and share options are set out in notes 33 and 35 to the consolidated financial statements respectively.

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. Subject to the restrictions under the Listing Rules, eligible participants include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate. 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. The exercise price shall be determined and notified to the eligible 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. An option may be exercised during the applicable exercise period as may be designated by the Board, which shall be not more than 10 years from the date of grant of option. An offer shall be accepted with a duly signed offer letter together with a non-refundable payment of HK$10 (or such other sum in any currency as the Board may determine).

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 was in force for a period of 10 years from 4 July 2012 and has expired on 4 July 2022. Therefore, no further option was available for grant under the Share Option Scheme as at 1 January 2023 and 31 December 2023.

The summary of the share options granted under the Share Option Scheme that were still outstanding as at 31 December 2023 are as follows:

Name of the grantee	As at 1 January 2023 No. of share options outstanding	During the year ended 31 December 2023 No. of share options granted	During the year ended 31 December 2023 No. of share options exercised	During the year ended 31 December 2023 No. of share options cancelled	During the year ended 31 December 2023 No. of share options lapsed	As at 31 December 2023 No. of share options outstanding
Directors						
Mr. Lui Wai Ming[1]	1,000,000	–	–	–	–	1,000,000
Mr. Zhang Zhenyu	500,000	–	–	–	–	500,000
Consultant						
Dr. Wu Chun Wah	1,000,000	–	–	–	–	1,000,000
Employees	11,076,257	–	–	–	5,888,595	5,187,662
Directors, consultant and employees (in aggregate)	13,576,257	–	–	–	5,888,595	7,687,662

Details regarding the number of options, date of grant, exercise period and exercise price of those options that were still outstanding as at 31 December 2023 are set out below:

Participants	Date of grant of option	Exercise period of option	Vesting period	Exercise Price of Option HK$ per share	Closing price of the Shares immediately before the date of grants	No. of outstanding option as at 31 December 2023
Directors	21 October 2019	21 October 2019 to 21 October 2029	No vesting period. All options are vested upon grant.	0.20	0.182	1,500,000
Consultant[2]	21 October 2019	21 October 2019 to 21 October 2029	No vesting period. All options are vested upon grant.	0.20	0.182	1,000,000
Employees	30 June 2014	1 July 2015 to 29 June 2024	25% on each of 1 July 2015, 1 July 2016, 1 July 2017 and 1 July 2018	1.49	1.141	1,260,000
	30 June 2014	1 July 2015 to 29 June 2024	25% on each of 1 July 2015, 1 July 2016, 1 July 2017 and 1 July 2018	1.29	1.141	2,244,302
	1 January 2015	1 January 2016 to 31 December 2024	25% on each of 1 January 2016, 1 January 2017, 1 January 2018 and 1 January 2019	1.29	0.992	226,800
	1 January 2015	1 January 2016 to 31 December 2024	50% on each of 1 January 2016 and 1 January 2017	0.99	0.992	1,456,560
Total						7,687,662

Notes:

1. Mr. Lui Wai Ming resigned as an independent non-executive director on 20 October 2023.
2. The Consultant is Dr. Wu Chun Wah.

There is no performance target for those options.

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 106 of this report.

SHARE AWARD SCHEME

2019 Share Award Scheme

To recognize the contributions by certain employees and to provide the incentives in order to retain them for the continual operation and development of the Group, the Board has approved a share award scheme (the "**2019 Share Award Scheme**") on 20 December 2019. The 2019 Share Award Scheme shall be valid for 5 years commencing from 20 December 2019 until 19 December 2024.

The total number of shares available under the 2019 Share Award Scheme is 221,303,100 shares, representing 10% of the shares in issue as at the date of this annual report. The maximum number of shares that may be granted to an elected employee at any time or in aggregate (the "**Individual Limit**") shall not exceed 1% of the issued share capital of the Company, i.e. 22,130,310 shares. Subject to the restrictions under the Listing Rules, the Executive Committee may determine the vesting schedule and vesting date of any award. The awarded shares are transferred to the grantees at no cost and the grantees are not required to pay upon acceptance of the awards. The Executive Committee may from time to time cause to be paid an amount to the trustee for the purchase or subscription of Shares.

The revision of the 2019 Share Award Scheme in November 2021 was for the purpose of strengthening the retention of the Company's core management team to enabling mid-term and long-term structural reform and transformation of the Company. The Board approved on 25 November 2021 to revise the Individual Limit to 5% of the issued share capital of the Company, i.e. 110,651,550 Shares.

The participants of the 2019 Share Award Scheme involve any employee of any member of the Group. The total number of Shares available under the revised 2019 Share Award Scheme was 221,303,100 Shares, representing 10% of the issued shares as at the date of this annual report.

As of 31 December 2023, there was no award granted, vested, cancelled or lapsed under the 2019 Share Award Scheme.

The following table sets out the awarded shares granted to selected employees under the 2019 Share Award Scheme and their movements as of 31 December 2023:

Grantees	Date of grant	Award price (HK$)	Vesting period	Weighted average closing price of the Shares immediately before the date of awards (HK$)	Unvested awards as at 1 January 2023	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	Unvested as at 31 December 2023
DIRECTORS									
Mr. Gu Dorson *(Executive Director)*	25 November 2021	0.062	25 November 2021– 24 November 2023	0.061	36,515,011	–	(36,515,011)	–	–
Ms. Ping Guoqin *(Executive Director)*	25 November 2021	0.062	25 November 2021– 24 November 2023	0.061	20,704,010	–	(20,704,010)	–	–

The awards are not subject to any performance target.

The number of awards available for grant under the 2019 Share Award Scheme as at 1 January 2023 and 31 December 2023 was 10,069,294 shares.

All award shares were purchased from secondary market and there were no new shares issued.

Although all award shares have been vested in Mr. Gu Dorson and Ms. Ping Guoqin, as at 31 December 2023, the Company was still in the course of purchasing the relevant number of Shares from the secondary market and the Company could only transfer the Shares to the aforesaid awardees after sufficient number of Shares have been purchased.

2021 Share Award Scheme

To recognize the contributions by certain employees and to provide the incentives in order to retain them for the continual operation and development of the Group, the Board has approved another share award scheme (the "**2021 Share Award Scheme**") on 25 November 2021. The 2021 Share Award Scheme shall be valid for 3 years commencing from 25 November 2021 until 24 November 2024.

The participants of the 2021 Share Award Scheme involve any employee of the Group. The total number of Shares available under the 2021 Share Award Scheme was 221,303,100 Shares, representing 10% of the issued shares as at the date of this annual report. The maximum number of Shares which may be granted to a selected employee at any time or in aggregate may not exceed 1% of the Company's issued share capital, i.e. 22,130,310 Shares. Subject to the restrictions under the Listing Rules, the Executive Committee may determine the vesting schedule and vesting date of any award. The awarded shares are transferred to the grantees at no cost and the grantees are not required to pay upon acceptance of the awards. The Executive Committee may from time to time cause to be paid an amount to the trustee for the purchase or subscription of Shares.

As of 31 December 2023, there was no award granted, cancelled or lapsed under the 2021 Share Award Scheme. There was no outstanding unvested awards as at 1 January 2023 and 31 December 2023.

The number of awards available for grant under the 2021 Share Award Scheme as at 1 January 2023 and 31 December 2023 was 221,303,100 shares.

The number of Shares that may be issued in respect of all share options and share awards granted under the Share Option Scheme, the 2019 Share Award Scheme and the 2021 Share Award Scheme during the year ended 31 December 2023 and as of 31 December 2023 represented nil and approximately 0.59% of the weighted average number of Shares in issue for the year ended 31 December 2023 (i.e. 2,213,031,000 Shares) respectively.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2023 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 39 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 the Labor Law of the People's Republic of China and the 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 the Environmental, Social and Governance Report of the Company.

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 2023, 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 2023, 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 2023 are set out in note 27 to the consolidated 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 45 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Movements in the Group's property and equipment during the year are set out in note 16 to the consolidated financial statements.

DIRECTORS

During the period from 1 January 2023 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[1]
Mr. Leung Yiu Cho[2]
Mr. Zhang Zhenyu
Ms. Li Yuping

1. Mr. Lui Wai Ming resigned as an independent non-executive director on 20 October 2023.
2. Mr. Leung Yiu Cho was appointed as an independent non-executive director on 20 October 2023.

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 38 to 39 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; Mr. Lui Wai Ming resigned as an independent non-executive director on 20 October 2023. Mr. Leung Yiu Cho was appointed as an independent non-executive director on 20 October 2023. The appointment of Mr. Leung Yiu Cho is for a term of 3 years from 20 October 2023; 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).

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 12 and 13 to the consolidated financial statements, respectively.

Details of the employee retirement benefits of the Company are set out in note 32 to the consolidated financial statements.

Details of share capital and share-based payment are set out in notes 33 and 35 to the consolidated financial statements, respectively.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Except for those disclosed in note 42 to the consolidated financial statements, for the year ended 31 December 2023, 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 2023, 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 C3 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	221,257,550 (L) (2)	10.00%
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[1]	Beneficial owner	1,000,000 (L) (5)	0.05%
Zhang Zhenyu	Beneficial owner	500,000 (L) (6)	0.02%

1. Mr. Lui Wai Ming resigned as an independent non-executive director on 20 October 2023.

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 2023, 110,651,550 shares had been vested to Mr. Gu Dorson and 62,739,425 shares had been vested to Ms. Ping Guoqin. Although all award shares have been vested in Mr. Gu Dorson and Ms. Ping Guoqin, as at 31 December 2023, the Company was still in the course of purchasing the relevant number of Shares from the secondary market and the Company could only transfer the Shares to the aforesaid awardees after sufficient number of Shares have been purchased.

(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 equity interest 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, a former 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 2023 (i.e. 2,213,031,000 Shares).

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executives of the Company had 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 2023, 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%
TEO Wei Lee	Interest of spouse	655,087,500 (L) [5]	29.60%
Shen Xia	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [6]	7.59%
Elite Converge Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [6]	7.59%
Sunshine Property I Limited	Beneficial owner	167,887,000 (L)	7.59%
		167,887,000 (S) [6]	7.59%
Shining Capital Holdings L.P.	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [6]	7.59%
Shining Capital Management Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [6]	7.59%
Shining (BVI) Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [6]	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 (HK) Limited as a professional trustee.

(3) Mr. ESSEIVA Alain and Mr. HEER Dominik Philipp indirectly held 53.34% and 40.60% of the shares of Alpadis Trust (HK) Limited 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) Ms. TEO Wei Lee is the spouse of Mr. ESSEIVA Alain. Under the SFO, Ms. TEO is deemed to be interested in the same number of shares of the Company which Mr. ESSEIVA Alain is interested in.

(6) 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.

(7) The percentage of shareholding was calculated based on the Company's total number of issued shares as at 31 December 2023 (i.e. 2,213,031,000 Shares).

Save as disclosed above, as at 31 December 2023, 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 the year ended 31 December 2023.

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

For the year ended 31 December 2023, 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 2023, 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

The consolidated financial statements were audited by Wilson & Partners CPA 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 Wilson & Partners CPA Limited as the auditor of the Company will be proposed at the forthcoming AGM.

The consolidated financial statements for the year ended 31 December 2020 have been audited by Ernst & Young. On 29 June 2021, Ernst & Young retired as the auditor of the Company and BDO was appointed as the auditor of the Company following the retirement of Ernst & Young.

The consolidated financial statements for the years ended 31 December 2021 and 2022 have been audited by BDO. On 31 October 2023, BDO resigned as the auditor of the Company and Wilson & Partners CPA Limited was appointed as the auditor of the Company following the resignation of BDO.

SUBSEQUENT EVENTS

As of the date of this annual report, save for the above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2023.

On behalf of the Board
Gu Dorson
Chairman

Shanghai, 28 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

In 2023, the Group operated a restaurant network of 24 "Shanghai Min" restaurants, one "Maison De L'Hui" restaurant, 3 "The Dining Room" restaurants and one "Wolfgang Puck" restaurant, which covers some of the most affluent and fast-growing cities in Mainland China (Note(ii)) and Hong Kong. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, in 2023 and 2022, respectively.

	As at 31 December			
	2023		2022	
	Number of restaurants (Note (iii))	**Revenue RMB'000**	Number of restaurants	Revenue RMB'000
The PRC (Mainland area (Note (ii))				
– Shanghai Min and Maison De L' Hui	**23**	**338,016**	30	229,304
– The Dining Room	**1**	**21,775**	2	19,719
– Other brands (Note (iv))	**1**	**22,467**	2	11,760
Hong Kong				
– Shanghai Min	**2**	**33,353**	2	26,448
– The Dining Room	**2**	**25,999**	2	25,319
Total revenue of restaurant operations (Note (i))	**29**	**441,610**	38	312,550
Other revenue		**8,929**		13,054
Total revenue		**450,539**		325,604

Notes:

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

(ii) The PRC (Mainland area), for the purpose of this 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 Wolfgang Puck (2022: Oreno and Wolfgang Puck).

In 2023, catering service industries suffered from both the repeated outbreak of COVID-19 pandemic and the sluggish consumption resulting from the slowing-down macro economy, making 2023 an extremely grim year for the business environment.

FINANCIAL REVIEW

Total Revenue

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

Total revenue of restaurant operations

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

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

Other revenue

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

Cost of sales

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

Other income

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

Other gains and losses

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

Selling and distribution expenses

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

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

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

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

Administrative expenses

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

Income tax expense (credit)

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

Loss for the year

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

Liquidity, capital resources and cash flow

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

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

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

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

Operating activities

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

Investing activities

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

Financing activities

Net cash used in financing activities decreased by RMB9.2 million from a cash outflow of RMB96.1 million as of 31 December 2022 to a cash outflow of RMB86.9 million as of 31 December 2023, which was primarily attributable to the proceeds from new bank loans of RMB15.0 million, repayment of bank loans of RMB18.5 million, interest paid of RMB10.9 million, repurchase of shares of RMB1.4 million, advance from related parties of RMB3.9 million and rental payments related to lease contracts included in cash used in financing activities of approximately RMB75.0 million as a result of the application of IFRS 16.

Foreign currency exposure

The Group's exposure to the risk of fluctuation 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 year ended 31 December 2023 and 31 December 2022 was denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals for the year ended 31 December 2023.

SIGNIFICANT INVESTMENTS

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

Capital commitment

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

Pledge of group assets

As at 31 December 2023, the Group has no pledge of assets. As at 31 December 2022, the Group's total interest-bearing bank loans were RMB28.4 million, of which bank loans of HK$15.0 million (equivalent to RMB13.4 million) were secured by the Group's pledge of certain fixed deposits of RMB15.0 million.

Human resources and remuneration policies

As at 31 December 2023, the Group employed approximately 544 people in Mainland China and Hong Kong, including 471 employees in restaurants and 73 employees in functional departments (694 employees in 2022, a year-on-year decrease of 22%).

In 2023, the Group continued to use a three-dimensional labor structure for full-time employees, hourly employees and trainees and also entered into long-term cooperation plans with a number of domestic institutions. The Group continued to carry out a number of established incentive assessment policies, so as to increase the overall income of employees, to achieve the sharing of benefits between the Company and employees, and to improve employee work incentive.

STRATEGIC OUTLOOK

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

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

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

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

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

DIVIDENDS

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is dedicated to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2023, save as disclosed in this report, the Company has complied with all applicable code provisions as set out in 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 C3 to the Listing Rules as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 December 2023.

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 Company's compliance with the Model 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. During the year ended 31 December 2023, the Board has performed the functions set out in code provision A.2.1 of the CG Code.

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 Company 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[1]
Mr. Leung Yiu Cho[2]
Mr. Zhang Zhenyu
Ms. Li Yuping

1. Mr. Lui Wai Ming resigned as an independent non-executive director on 20 October 2023.
2. Mr. Leung Yiu Cho was appointed as an independent non-executive director on 20 October 2023.

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

BOARD DIVERSITY POLICY

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 least annually to ensure the effectiveness of the policy.

Currently, four out of the seven directors on the Board are female directors. The Board is committed to identifying suitable candidates to improve its gender diversity. The Company considers that gender diversity on the Board has been achieved. As of 31 December 2023, the Group had about 544 employees (including senior management), of which 243 employees were women. Therefore, the Company considers that gender diversity on its employees as a whole has been achieved.

For the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the diversity policy on the Board through the Nomination Committee, and confirmed that the Board had the appropriate combination of skills and experience to achieve the Company's strategy.

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; Mr. Lui Wai Ming resigned as an independent non-executive Director on 20 October 2023. Mr. Leung Yiu Cho was appointed as an independent non-executive Director on 20 October 2023. The appointment of Mr. Leung Yiu Cho is for a term of 3 years from 20 October 2023; 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.

INDEPENDENCE OF THE BOARD

To ensure that the Board can obtain independent opinions and suggestions from independent non-executive directors, the Nomination Committee and the Board are committed to evaluating the independence of directors annually on all relevant factors related to independent non-executive directors, including the followings:

- Have the character, integrity, expertise, experience and stability required to perform their duties;
- Time and dedication invested in the Company's affairs;
- Strong commitment to its independent role and the Board;
- Declare its conflict of interest as an independent non-executive director;
- Have not participated in the daily management of the Company and have not been involved in any relationship or situation that would affect his/her independent judgment; and
- The chairman regularly meets with independent non-executive directors in the absence of the executive directors.

All directors have the right to seek advice from independent professional advisors, and the expenses shall be borne by the Company. For the year ended 31 December 2023, the Company has reviewed the mechanisms established to ensure that the Board could be provided with independent opinions and suggestions, and is satisfied that the implementation and effectiveness of these mechanisms.

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.

Four Board meetings and one general meeting were held during the year ended 31 December 2023. Attendance of each Director is set out as below:

Directors	Number of board meetings attended/ eligible to attend	General meetings attended/ eligible to attend
Mr. Gu Dorson	4/4	1/1
Ms. Ping Guoqin	4/4	1/1
Ms. Wang Huili	4/4	1/1
Ms. Wu Wen	4/4	1/1
Mr. Lui Wai Ming[1]	2/2	1/1
Mr. Leung Yiu Cho[2]	2/2	N/A
Mr. Zhang Zhenyu	4/4	0/1
Ms. Li Yuping	4/4	1/1

1. Since Mr. Lui Wai Ming served as an independent non-executive Director for nearly 9 years and also needs more time for other business commitments, Mr. Lui Wai Ming resigned as an independent non-executive Director, the chairman of the audit committee, and a member of each of the remuneration committee, the nomination committee and the risk management committee of the Board on 20 October 2023.
2. Mr. Leung Yiu Cho was appointed as an independent non-executive Director, the chairman of the Audit Committee, and a member of each of the Remuneration Committee, the Nomination Committee and the Risk Management Committee of the Board on 20 October 2023.

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 code provision C.2.1 of the CG Code.

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, Mr. Gu Dorson and Mr. Zhang Zhenyu shall retire by rotation, and being eligible, offer themselves for re-election as Directors at the AGM. In accordance with article 83(3) of the Articles of Association, Mr. Leung Yiu Cho shall hold office until the Company's first AGM after his appointment and will be eligible for re-election as Directors.

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.

Mr. Leung Yiu Cho was appointed as an independent non-executive Director during the Reporting Period and has obtained a legal opinion about filing and execution of the Declaration and Undertaking with regards to Directors on 20 October 2023 and confirmed that he understands his responsibilities as a Director.

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 2023, all Directors of the Company (namely Mr. Gu Dorson, Ms. Ping Guoqin, Ms. Wang Huili, Ms. Wu Wen, Mr. Lui Wai Ming (resigned on 20 October 2023), Mr. Zhang Zhenyu, Ms. Li Yuping and Mr. Leung Yiu Cho (appointed on 20 October 2023)) 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. Leung Yiu Cho (appointed on 20 October 2023), Mr. Zhang Zhenyu and Ms. Li Yuping, Mr. Lui Wai Ming resigned as the chairman of the Audit Committee on 20 October 2023. Mr. Leung Yiu Cho is the chairman 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 2023, the Audit Committee has held three meetings to review the annual results and financial statements for the year of 2022, assess the new auditor and review the interim results and financial statements for the six months ended 30 June 2022 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[1]	2/2
Mr. Leung Yiu Cho[2]	1/1
Ms. Li Yuping	3/3
Mr. Zhang Zhenyu	3/3

1. Mr. Lui Wai Ming resigned as the chairman of the Audit Committee on 20 October 2023.
2. Mr. Leung Yiu Cho was appointed as the chairman of the Audit Committee on 20 October 2023.

The following was a summary of the primary work performed by the Audit Committee in 2023:

1. reviewed the Group's consolidated financial statements for the year ended 31 December 2022 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 2022 with a recommendation to the Board for approval;

3. reviewed the continuing connected transactions for the year ended 31 December 2022;

4. reviewed the internal audit report for the year 2022 submitted by the Group's Internal Control Department;

5. reviewed the re-appointment of BDO Limited as the auditor of the Company;

6. reviewed the Group's consolidated financial statements for the six months period ended 30 June 2023 and the interim results announcement with a recommendation to the Board for approval; and reviewed the Group's interim report for the six months period ended 30 June 2023 with a recommendation to the Board for approval; and

7. reviewed the resignation of BDO Limited as the auditor of the Company and the proposed appointment of WILSON & PARTNERS CPA LIMITED as the new auditor of the Company.

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. Leung Yiu Cho (appointed on 20 October 2023), Mr. Zhang Zhenyu, Ms. Li Yuping and Mr. Gu Dorson. Mr. Lui Wai Ming resigned as a member of Remuneration Committee on 20 October 2023. Ms. Li Yuping is the chairman of the Remuneration Committee. 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, advising the remuneration of non-executive Directors to the Board, and reviewing and/or approving the matters related to the share scheme mentioned in Chapter 17 of the Listing Rules.

For the year ended 31 December 2023, the Remuneration Committee held two 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, and review the share scheme and its implementation. 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
Mr. Gu Dorson	2/2
Mr. Lui Wai Ming[1]	1/1
Mr. Leung Yiu Cho[2]	1/1
Ms. Li Yuping	2/2
Mr. Zhang Zhenyu	2/2

1. Mr. Lui Wai Ming resigned as a member of Remuneration Committee on 20 October 2023.
2. Mr. Leung Yiu Cho was appointed as a member of Remuneration Committee on 20 October 2023.

The following was a summary of the primary work performed by the Remuneration Committee in 2023:

1. reviewed the proposal on remuneration of directors, with a recommendation to the Board for approval; and

2. reviewed the Share Option Scheme and Share Award Schemes, and its implementation.

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. Leung Yiu Cho (appointed on 20 October 2023), Mr. Zhang Zhenyu and Ms. Li Yuping. Mr. Lui Wai Ming resigned as a member of Nomination Committee on 20 October 2023. 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.

For the year ended 31 December 2023, the Nomination Committee has held one meeting. 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
Mr. Gu Dorson	1/1
Mr. Lui Wai Ming[1]	0/1
Mr. Leung Yiu Cho[2]	N/A
Mr. Zhang Zhenyu	1/1
Ms. Li Yuping	1/1

1. Mr. Lui Wai Ming resigned as a member of Nomination Committee on 20 October 2023.
2. Mr. Leung Yiu Cho was appointed as a member of Nomination Committee on 20 October 2023.

The following was a summary of the primary work performed by the Nomination Committee in 2023:

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

2. reviewed the diversity of the Board, and 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. Leung Yiu Cho (appointed on 20 October 2023), Mr. Zhang Zhenyu and Ms. Li Yuping. Mr. Lui Wai Ming resigned as a member of Risk Management Committee on 20 October 2023. 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.

For the year ended 31 December 2023, 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	2/2
Mr. Lui Wai Ming[1]	2/2
Mr. Leung Yiu Cho[2]	N/A
Mr. Zhang Zhenyu	2/2
Ms. Li Yuping	2/2

1. Mr. Lui Wai Ming resigned as a member of Risk Management Committee on 20 October 2023.
2. Mr. Leung Yiu Cho was appointed as a member of Risk Management Committee on 20 October 2023.

The following was a summary of the primary work performed by the Risk Management Committee in 2023:

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 and its effectiveness;

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 2023, the Executive Committee did not hold any meeting.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2023, 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.

For the year ended 31 December 2023, the Board reviewed the Group's risk management and internal control system and considered that its risk management and internal control system was effective and adequate.

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 (“**Ms. Chu**”), 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 2023, 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.

Ms. Chu has tendered her resignation as the company secretary of the Company with effect from 30 April 2024. Following the resignation of Ms. Chu , Ms. Chan Yuk Wing (“**Ms. Chan**”) was appointed as the company secretary of the Company with effect from 30 April 2024. Ms. Chan is now a director of a company which is regulated by the Registry for Trust and Company Services Providers of Hong Kong. For details, please refer to the announcement of the Company dated 6 February 2024.

During the year ended 31 December 2023 and up to the date of this annual report, Mr. Liu Chunxi (劉春惜) (“**Mr. Liu**”), the investor relations manager of the Company, is the primary contact person designated by the Company with Ms. Chu. Subsequent to the resignation of Ms. Chu and as disclosed above, the Company engages an external service provider to provide company secretarial services and has appointed Ms. Chan as its company secretary. Ms. Chan is not an employee of the Group. Following the resignation of Ms. Chu, Mr.Liu is the primary contact of Ms.Chan at the Company. Performance, financial position and other major developments and affairs of the Group is promptly delivered to Ms. Chan.

REMUNERATION OF THE SENIOR MANAGEMENT

For the year ended 31 December 2023, 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 and of remuneration (HKD)	No. of person
0 to HKD1,000,000	2
HKD1,000,001 to HKD1,500,000	1

Further details of the remuneration of Directors and the five highest paid employees required to be disclosed under Appendix D2 to the Listing Rules have been set out in notes 12 and 13 to the consolidated financial statements, respectively.

AUDITOR’S REMUNERATION

For the year ended 31 December 2023, the annual audit fees paid to the external auditor of the Company amounted to RMB1,080,000. No non-audit service fees has been paid for the year ended 31 December 2023.

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.

The annual general meeting of the Company provides an opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board and respective Board Committee will attend the annual general meeting to answer the Shareholders' questions. The auditor will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Company has reviewed the shareholder participation and communication activities conducted in 2023 and is satisfied that the implementation and effectiveness of its shareholders' communication policy.

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 of the Company on the basis of one vote per share shall at all times have the right, by sending a written requisition to the Board or Company Secretary to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution 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.

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 Act. 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 2023, pursuant to the Consultation Conclusions on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021, the Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 "Core Standards" for shareholder protections for issuers, the Memorandum and Articles of Association of the Company have been revised, the fifth revised and restated Memorandum and Articles of Association of the Company were adopted by the shareholders at the annual general meeting of the Company held on 30 June 2023.

SHAREHOLDERS' RIGHTS

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

DIRECTORS

EXECUTIVE DIRECTORS

Mr. GU Dorson, aged 46, 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 industry chain 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 70, 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 the company, 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 66, 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 55, is a non-executive Director of the Company since 15 March 2018 and is primarily responsible for other work required by the Board of the Group. 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. LEUNG Yiu Cho, aged 45, has extensive experience in strategic financial planning, structuring capital reorganization and transactions, tax planning and financial analysis in listed company and licensed corporation. Mr. Leung was the assistant financial controller of Ta Yang Group Holdings Limited (Stock Code: 1991), a company listed on the Main Board (the "**Main Board**") of the Stock Exchange from 2006 to 2007, the chief financial officer and board secretary of Highland Asset Management Corporation from 2012 to 2013, an executive director and the vice investment principal of Artini Holdings Limited (Stock Code: 789), a company listed on the Main Board from 2013 to 2019, and an independent non-executive director and the chairman of the audit committee of Grace Life-tech Holdings Limited (Stock Code: 2112), a company listed on the Main Board, from 2017 to 2020 and since 11 March 2022. He was also appointed as an independent non-executive director, the chairman of the audit committee and a member of the strategic committee of Wuxi Sunlit Science and Technology Company Limited (Stock Code: 1289), a company listed on the Main Board since 18 June 2021. He was an independent non-executive director and the chairman of the audit committee of Zhongshi Minan Holdings Limited (Stock Code: 8283), a company listed on the GEM of the Stock Exchange, from 21 October 2016 to 30 June 2022. He was the chief financial officer, company secretary and authorised representative of Xinhua News Media Holdings Limited (Stock Code: 309), a company listed on the Main Board, from 2 July 2021 to 5 August 2021. He was the company secretary and authorised representative of China Dredging Environment Protection Holdings Limited (Stock Code: 871), a company listed on the Main Board, from 29 December 2021 to 11 August 2023. He has been the company secretary and authorised representative of Universal Star (Holdings) Limited (Stock Code: 2346), a company listed on the Main Board, from 13 July 2021 to 29 January 2024.

Mr. Leung obtained a master's degree in Corporate Finance from The Hong Kong Polytechnic University. He was admitted as a fellow member of the Associate of Chartered Certified Accountants in March 2019.

Mr. ZHANG Zhenyu, aged 49, 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 in Switzerland, Mr. Zhang has also acted as in-house legal counsel for TOM Group Limited in Hong Kong, 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 Law in China and has been awarded with a Diploma in Beijing International MBA from Peking University.

Ms. LI Yuping, aged 75, 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 Audit 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 Properties 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

As Mr. Lui Wai Ming needs more time for his other business commitments, he has tendered his resignation as an independent non-executive Director on 20 October 2023.

Save as disclosed above and in this report, there is no change in the information of Directors required to be disclosed for the year ended 31 December 2023 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 2023.

INDEPENDENT AUDITOR'S REPORT

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Central, Hong Kong

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To the shareholders of SHANGHAI XNG HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of SHANGHAI XNG HOLDINGS LIMITED (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 46 to 131, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3.1 to the consolidated financial statements, which indicates that the Group incurred a loss attributable to the owners of the Company of approximately RMB45,418,000 for the year ended 31 December 2023 and, as at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately RMB169,896,000 and the Group's total liabilities exceeded its total assets by approximately RMB73,752,000, while the Group had cash and cash equivalents of approximately RMB20,658,000. These conditions, along with other matters as set forth in Note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of property and equipment, and right-of-use assets related to underperforming restaurants

We identified the impairment assessment of property and equipment, and right-of-use assets related to underperforming restaurants as a key audit matter due to their significance to the consolidated financial statements and the significant management judgments are required to estimate the recoverable amounts of property and equipment, and right-of-use assets.

As set out in Notes 16 and 17 to the consolidated financial statements, as at 31 December 2023, the carrying values of property and equipment, and right-of-use assets were approximately RMB26,084,000 and RMB115,462,000, respectively. The valuation of these assets was significant and the impairment assessment involved an estimation of the recoverable amounts of property and equipment, and right-of-use assets based on value in use. Management assesses whether there are triggering events or indicators indicating potential impairment. In assessing value in use, the discounted cash flow method was used with estimations which focused on underperforming restaurants. For the year ended 31 December 2023, impairment losses of approximately RMB732,000 were reversed for property and equipment and impairment losses of approximately RMB5,841,000 were recognised for right-of-use assets.

Our procedures in relation to impairment assessment of property and equipment, and right-of-use assets related to underperforming restaurants included:

- Obtaining an understanding of the key controls over the processes that the management performed in relation to the impairment assessment of property and equipment, and right-of-use assets related to underperforming restaurants and the preparation of the cash flow forecasts;

- Obtaining the cash flow forecasts prepared by management, reviewing and discussing with management on the major assumptions adopted in the cash flow forecasts for each cash-generating unit and checking arithmetic accuracy of the forecast calculation;

- Comparing the growth rates, budgeted sales and gross margins in the cash flow forecast to historical results and reference to the market information based on our knowledge of the catering markets to determine their reasonableness;

- Challenging the discount rates used by management in the cash flow forecasts by benchmarking against the required rate of return adjusted for industry specific factors;

- Assessing the sensitivity analysis prepared by management on the significant assumptions to evaluate the extent of impact of these assumptions in the cash flow forecasts;

- Evaluating the accuracy of historical cash flows forecasts prepared by the management by comparing the historical cash flows forecasts to the actual performance; and

- Evaluating the appropriateness of the related disclosures included in Notes 4 and 16 to the consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Estimation and disclosure with respect to deferred tax assets	
We identified the estimation and disclosure with respect to deferred tax assets as a key audit matter due to the complexity of estimating the future taxable profits available and involvement of significant judgement and estimation that were affected by future actual operation, tax regulations, and market or economic conditions. As set out in Note 31 to the consolidated financial statements, as at 31 December 2023, the net deferred tax assets recognised in the consolidated statement of financial position amounted to approximately RMB25,061,000. 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 2023, deferred tax assets have not been recognised for accumulated tax losses of approximately RMB699,925,000.	Our procedures in relation to the estimation and disclosure with respect to deferred tax assets included: • Understanding the management's process in the preparation of the future profit forecast; • Assessing the key assumptions and judgements made by the management in the preparation of the future profit forecast including, profit margin, growth rates and economic factors; • Evaluating the historical accuracy of the profit forecast by comparing the historical profit forecast to the actual results; • Assessing the reasonableness of the possible timing of the utilisation of the accumulated tax losses; • Evaluating the sensitivity analysis on the growth rates prepared by the management and to assess the extent of impact on the profit forecast; and • Evaluating the appropriateness of the related disclosure of deferred tax assets included in Note 31 to the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2023.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

The engagement director on the audit resulting in the independent auditor's report is Lau Chi Kin, Kinson.

Wilson & Partners CPA Limited
Certified Public Accountants
Lau Chi Kin, Kinson
Practising Certificate Number: P05613
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
REVENUE	5	**450,539**	325,604
Cost of sales		**(151,547)**	(105,854)
Gross profit		**298,992**	219,750
Other income	7	**11,740**	9,402
Other gains and losses	8	**(5,805)**	42,918
Selling and distribution expenses		**(285,212)**	(293,534)
Administrative expenses		**(48,967)**	(55,411)
Finance costs	9	**(10,910)**	(15,859)
LOSS BEFORE TAX		**(40,162)**	(92,734)
Income tax (expense) credit	10	**(7,008)**	26,298
LOSS FOR THE YEAR	11	**(47,170)**	(66,436)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(159)**	(547)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(47,329)**	(66,983)
Loss (profit) for the year attributable to:			
Owners of the Company		**(45,418)**	(69,228)
Non-controlling interests		**(1,752)**	2,792
		(47,170)	(66,436)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(45,582)**	(69,769)
Non-controlling interests		**(1,747)**	2,786
		(47,329)	(66,983)
LOSS PER SHARE	15		
Basic and diluted		**RMB(2.1) cents**	RMB(3.2) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property and equipment	16	**26,084**	40,451
Right-of-use assets	17	**115,462**	164,329
Intangible assets	18	**1,191**	1,440
Equity investments at fair value through other comprehensive income	19	**–**	5,000
Long-term rental deposits	22	**23,299**	31,059
Deferred tax assets	31	**25,061**	32,675
		191,097	274,954
CURRENT ASSETS			
Inventories	20	**5,098**	8,069
Trade receivables	21	**5,440**	4,760
Prepayments, deposits and other receivables	22	**26,812**	18,932
Amounts due from related parties	23	**2,807**	4,321
Pledged bank deposits	24	**–**	15,045
Restricted bank deposits	24	**4,098**	4,680
Cash and cash equivalents	24	**20,658**	47,575
		64,913	103,382
CURRENT LIABILITIES			
Trade payables	25	**62,720**	44,699
Other payables and accruals	26	**72,878**	112,340
Borrowings	27	**25,000**	28,400
Amounts due to related parties	23	**3,944**	–
Contract liabilities	28	**8,760**	7,696
Lease liabilities	29	**61,507**	86,885
Tax liabilities		**–**	647
		234,809	280,667
NET CURRENT LIABILITIES		**(169,896)**	(177,285)
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,201**	97,669

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	29	**90,499**	122,366
Restoration provisions	30	**4,454**	5,443
		94,953	127,809
NET LIABILITIES		**(73,752)**	(30,140)
CAPITAL AND DEFICITS			
Share capital	33	**18,393**	18,393
Treasury shares	33	**(2,274)**	(894)
Other deficits	34	**(91,464)**	(47,216)
Deficits attributable to owners of the Company		**(75,345)**	(29,717)
Non-controlling interests		**1,593**	(423)
TOTAL DEFICITS		**(73,752)**	(30,140)

Gu Dorson
Director

Ping Guoqin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the Company														
	Share capital RMB'000 (Note 33)	Treasury shares RMB'000 (Note 33)	Share premium RMB'000 (Note 34)	Capital redemption reserves RMB'000 (Note 34)	Capital reserve RMB'000 (Note 34)	Merger reserve RMB'000 (Note 34)	Statutory reserve RMB'000 (Note 34)	Translation reserve RMB'000 (Note 34)	Share option reserve RMB'000 (Note 34)	Share Award Scheme reserve RMB'000 (Note 35)	Revaluation reserve RMB'000 (Note 34)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 44)	Total equity (deficit) RMB'000
At 1 January 2022	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
Loss (profit) for the year	–	–	–	–	–	–	–	–	–	–	–	(69,228)	(69,228)	2,792	(66,436)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(541)	–	–	–	–	(541)	(6)	(547)
Total comprehensive expense (income) for the year	–	–	–	–	–	–	–	(541)	–	–	–	(69,228)	(69,769)	2,786	(66,983)
Transfer upon deregistration of subsidiaries	–	–	–	–	–	–	(719)	–	–	–	–	719	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	2,051	–	–	–	–	–	–	–	2,051	(2,051)	–
Share Award Scheme expenses	–	–	–	–	–	–	–	–	–	4,487	–	–	4,487	–	4,487
Transfer of treasury shares to Share Award Scheme reserve	–	12,067	–	–	–	–	–	–	–	(7,486)	–	(4,581)	–	–	–
Repurchase of shares	–	(3,335)	–	–	–	–	–	–	–	–	–	–	(3,335)	–	(3,335)
Lapse of share options (Note 35)	–	–	–	–	–	–	–	–	(5,916)	–	–	5,916	–	–	–
At 31 December 2022	18,393	(894)	723,723	27	59,728	(69,246)	15,752	(34,929)	13,495	–	(4,336)	(751,430)	(29,717)	(423)	(30,140)
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(45,418)	(45,418)	(1,752)	(47,170)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(164)	–	–	–	–	(164)	5	(159)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(164)	–	–	–	(45,418)	(45,582)	(1,747)	(47,329)
Transfer upon deregistration of subsidiaries	–	–	–	–	–	–	(500)	–	–	–	–	500	–	–	–
Disposal of a subsidiary (Note 36)	–	–	–	–	–	–	(245)	–	–	–	–	245	–	3,763	3,763
Share Award Scheme expenses	–	–	–	–	–	–	–	–	–	1,334	–	–	1,334	–	1,334
Repurchase of shares	–	(1,380)	–	–	–	–	–	–	–	–	–	–	(1,380)	–	(1,380)
Lapse of share options (Note 35)	–	–	–	–	–	–	–	–	(3,510)	–	–	3,510	–	–	–
At 31 December 2023	**18,393**	**(2,274)**	**723,723**	**27**	**59,728**	**(69,246)**	**15,007**	**(35,093)**	**9,985**	**1,334**	**(4,336)**	**(792,593)**	**(75,345)**	**1,593**	**(73,752)**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(40,162)**	(92,734)
Adjustments for:			
Finance costs		**10,910**	15,859
Interest income		**(621)**	(527)
Dividend income from equity investments at fair value through other comprehensive income	7	**(300)**	–
Covid-19-related rent concessions	17	**–**	(27,364)
Depreciation of property and equipment		**18,027**	29,614
Depreciation of right-of-use assets		**62,006**	97,226
Amortisation of intangible assets		**249**	490
Gain on disposal of a subsidiary	36	**(1,721)**	–
Loss on disposal of property and equipment	8	**1,637**	783
Gain on early termination of leases	8	**(379)**	(16,781)
Impairment losses, net of reversal			
– property and equipment		**(732)**	(6,966)
– right-of-use assets		**5,841**	(5,709)
– trade receivables		**(1,125)**	–
– other receivables		**(2,720)**	(969)
Share Award Scheme expenses	35	**1,334**	4,487
Operating cash flows before movements in working capital		**52,244**	(2,591)
Decrease in inventories		**2,974**	1,913
Decrease in trade receivables		**421**	793
(Increase) decrease in prepayments, deposits and other receivables		**(3,764)**	67,078
Decrease in long-term rental deposits		**7,799**	4,465
Increase in trade payables		**17,934**	1,464
(Decrease) increase in other payables and accruals		**(28,811)**	1,161
Decrease in restoration provisions		**(989)**	(772)
Increase (decrease) in contract liabilities		**1,064**	(1,350)
Cash generated from operations		**48,872**	72,161
Income tax paid		**(647)**	(412)
Net cash from operating activities		**48,225**	71,749

	Notes	Year ended 31 December 2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Withdrawal of pledged bank deposits		**15,045**	4,331
Proceeds from disposals of equity investments at FVTOCI	19	**3,000**	2,000
Repayment from related parties		**1,514**	–
Interest received		**621**	527
Dividend received from equity investments		**300**	–
Purchases of property and equipment		**(4,560)**	(10,479)
Placement of restricted bank deposits	24	**(4,108)**	(4,680)
Advance to related parties		**–**	(861)
Net cash from (used in) investing activities		**11,812**	(9,162)
FINANCING ACTIVITIES			
Repayment of lease liabilities		**(75,045)**	(72,555)
Repayment of bank loans		**(18,496)**	(32,009)
Interest paid		**(10,910)**	(15,859)
Repurchase of shares		**(1,380)**	(3,335)
Proceeds from new bank loans		**15,000**	27,832
Advance from related parties		**3,944**	–
Repayment to related parties		**–**	(131)
Net cash used in financing activities		**(86,887)**	(96,057)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(26,850)**	(33,470)
Cash and cash equivalents at 1 January		**47,575**	78,453
Effect of foreign exchange rate changes		**(67)**	2,592
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	**20,658**	47,575

1. GENERAL INFORMATION

Shanghai XNG Holdings Limited (the "**Company**") as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

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

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

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

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

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

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

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

In accordance with the transition provision:

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

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

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

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

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

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

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

As disclosed in Note 32, the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

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

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

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

This change in accounting policy has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

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

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

(i) The Group will continue to implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs;

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5 and 28.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property and equipment 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 lease of low-value assets (such as office equipment and laptop computers). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Right-of-use assets *(continued)*

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Renminbi ("**RMB**")) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans including the LSP under the Hong Kong Employment Ordinance, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

(a) the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until;

(b) the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Employee benefits *(continued)*

Retirement benefit costs (continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of IAS 19.93(a) and it is measure on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Employee benefits *(continued)*

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all nonmarket vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to accumulated losses.

When shares granted are vested, the amount previously recognised in share option reserve will be transferred to share premium.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Taxation *(continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either:

(a) the same taxable entity; or

(b) 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.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Leasehold improvement in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill *(continued)*

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Cash and cash equivalents *(continued)*

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 24.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve of financial assets at FVTOCI; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, deposits and other receivables, long-term rental deposits, amounts due from related parties, restricted bank deposits, pledged bank deposits and cash and cash equivalents), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 *(continued)*

(i) Significant increase in credit risk *(continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 *(continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 2 years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item (Note 8) as part of the net foreign exchange gains/(losses);

- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the revaluation reserve of financial assets at FVTOCI.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over 上海米芝蓮餐飲管理有限公司 Shanghai Mizhilian Restaurant Management Co., Ltd.* ("Mizhilian")

Note 44 describes that Mizhilian is a subsidiary of the Group although the Group has only 50% of the ownership interest and voting rights in Mizhilian. As at 31 December 2022, the Group has 50% ownership and the remaining 50% of the shareholdings are owned by another shareholder that is unrelated to the Group. Details of Mizhilian are set out in Note 44.

The directors of the Company assessed whether the Group has control over Mizhilian based on whether the Group has the practical ability to direct the relevant activities of Mizhilian unilaterally. In making the judgement, the directors of the Company considered the Group's absolute size of holding in Mizhilian and the relative size of and dispersion of the shareholdings owned by the other shareholder. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Mizhilian and therefore the Group has control over Mizhilian as at 31 December 2022.

Key sources of estimation uncertainty

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

Deferred tax asset

As at 31 December 2023, a deferred tax asset of approximately RMB13,679,000 (2022: RMB29,251,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB699,925,000 (2022: RMB731,085,000) for certain subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

* The English name is for identification purpose only.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Fair value measurement of financial instruments

As at 31 December 2022, unquoted equity instruments amounting to RMB5,000,000 (2023: RMBnil) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 19 for further disclosures.

Provision of ECL for trade receivables

Trade receivables are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 39.

Estimated impairment of property and equipment, right-of-use assets and intangible assets

Property and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2023, the carrying amounts of property and equipment, right-of-use assets and intangible assets subject to impairment assessment were approximately RMB26,084,000, RMB115,462,000 and RMB1,191,000 (2022: RMB40,451,000, RMB164,329,000 and RMB1,440,000), respectively, after taking into account the impairment losses of approximately RMB11,627,000, RMB13,398,000 and RMB17,108,000 (2022: RMB15,777,000, RMB19,065,000 and RMB17,108,000) in respect of property and equipment, right-of-use assets and intangible assets that have been recognised, respectively. Details of the impairment of property and equipment, right-of-use assets and intangible assets are disclosed in Notes 16, 17 and 18, respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

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

Restaurant operations

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

Sale of packed foods

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

Management fee from franchisee

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

5. REVENUE *(continued)*

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

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

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

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

6. OPERATING SEGMENTS

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

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

Geographical information

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

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

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

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

Information about major customers

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

7. OTHER INCOME

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

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

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

8. OTHER GAINS AND LOSSES

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

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE (CREDIT)

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

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

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

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

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

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

10. INCOME TAX EXPENSE (CREDIT) *(continued)*

The income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Loss before tax	**(40,162)**	(92,734)
Tax at the statutory tax rate of 25% (2022: 25%)	**(10,041)**	(23,184)
Tax effect of income not taxable for tax purpose	**(1,507)**	(1,681)
Tax effect of expenses not deductible for tax purpose	**1,253**	2,493
Over provision in respect of prior years	**(606)**	(10,736)
Tax effect of tax losses not recognised	**24,491**	5,944
Utilisation of tax losses previously not recognised	**(6,582)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	866
Income tax expense (credit) for the year	**7,008**	(26,298)

11. LOSS FOR THE YEAR

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Cost of inventories recognised as an expense	**151,547**	105,854
Depreciation of property and equipment	**18,027**	29,614
Depreciation of right-of-use assets	**62,006**	97,226
Amortisation of intangible assets	**249**	490
Auditor's remuneration	**1,080**	1,800
COVID-19-related rent concessions (Note 17)	**–**	27,364
Employee benefit expense (including directors' emoluments (Note 12)):		
Wages and salaries	**146,381**	118,831
Defined contribution pension schemes	**13,917**	19,035
Share Award Scheme expenses	**1,334**	4,487
	161,632	142,353

12. DIRECTORS' EMOLUMENTS

Directors' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2023

	Mr. Gu Dorson RMB'000	Ms. Ping Guoqin RMB'000	Total RMB'000
A) EXECUTIVE DIRECTORS			
Fees	–	–	–
Other emoluments			
Salaries, allowances and benefits in kind	1,137	414	1,551
Share Award Scheme expenses	851	483	1,334
Subtotal	1,988	897	2,885

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Ms. Wang Huili RMB'000	Ms. Wu Wen RMB'000	Total RMB'000
B) NON-EXECUTIVE DIRECTORS			
Fees	–	–	–
Other emoluments			
Salaries, allowances and benefits in kind	306	303	609
Subtotal	306	303	609

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

12. DIRECTORS' EMOLUMENTS *(continued)*

Year ended 31 December 2023 *(continued)*

	Mr. Leung Yiu Cho (Note 1) RMB'000	Mr. Zhang Zhenyu RMB'000	Ms. Li Yuping RMB'000	Mr. Lui Wai Ming (Note 2) RMB'000	Total RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS					
Fees	**32**	**303**	**303**	**267**	**905**
Other emoluments	**–**	**–**	**–**	**–**	**–**
Subtotal	**32**	**303**	**303**	**267**	**905**

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	**4,399**

Note 1: Mr. Leung Yiu Cho was appointed as an independent non-executive director of the Company with effect from 20 October 2023.

Note 2: Mr. Lui Wai Ming resigned as independent non-executive director of the Company with effect from 20 October 2023.

Year ended 31 December 2022

	Mr. Gu Dorson RMB'000	Ms. Ping Guoqin RMB'000	Total RMB'000
A) EXECUTIVE DIRECTORS			
Fees	–	–	–
Other emoluments			
Salaries, allowances and benefits in kind	1,064	649	1,713
Share Award Scheme expenses	2,863	1,624	4,487
Subtotal	3,927	2,273	6,200

12. DIRECTORS' EMOLUMENTS *(continued)*

Year ended 31 December 2022 *(continued)*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Ms. Wang Huili RMB'000	Ms. Wu Wen RMB'000	Total RMB'000
B) NON-EXECUTIVE DIRECTORS			
Fees	–	–	–
Other emoluments			
Salaries, allowances and benefits in kind	342	342	684
Subtotal	342	342	684

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

	Mr. Zhang Zhenyu RMB'000	Ms. Li Yuping RMB'000	Mr. Lui Wai Ming RMB'000	Total RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	323	342	342	1,007
Other emoluments	–	–	–	–
Subtotal	323	342	342	1,007

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Total	7,891

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two (2022: two) directors, details of whose remuneration are set out in Note 12 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,503**	1,564
Pension scheme contributions	**189**	534
	2,692	2,098

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2023	2022
	No. of employees	No. of employees
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–
	3	3

14. DIVIDENDS

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

15. LOSS PER SHARE

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

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

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

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

16. 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
COST					
At 1 January 2022	411,617	108,563	6,133	3,138	529,451
Additions	3,511	935	–	6,033	10,479
Disposals	(70,457)	(22,093)	(659)	(7)	(93,216)
Transfers	5,541	668	–	(6,209)	–
Exchange adjustments	2,575	694	–	–	3,269
At 31 December 2022	**352,787**	**88,767**	**5,474**	**2,955**	**449,983**
Additions	**1,340**	**850**	**–**	**2,370**	**4,560**
Disposals	**(69,900)**	**(15,785)**	**(4)**	**–**	**(85,689)**
Transfers	**2,844**	**370**	**–**	**(3,214)**	**–**
Exchange adjustments	**388**	**99**	**–**	**–**	**487**
At 31 December 2023	**287,459**	**74,301**	**5,470**	**2,111**	**369,341**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2022	377,864	93,427	4,783	–	476,074
Provided for the year	26,840	2,379	395	–	29,614
Impairment loss reversed in profit or loss	(5,736)	(1,225)	(5)	–	(6,966)
Eliminated on disposals	(70,166)	(21,641)	(626)	–	(92,433)
Exchange adjustments	2,568	675	–	–	3,243
At 31 December 2022	**331,370**	**73,615**	**4,547**	**–**	**409,532**
Provided for the year	**15,411**	**2,204**	**412**	**–**	**18,027**
Impairment loss (reversed) recognised in profit or loss	**(754)**	**(73)**	**95**	**–**	**(732)**
Eliminated on disposals	**(69,830)**	**(14,218)**	**(4)**	**–**	**(84,052)**
Exchange adjustments	**387**	**95**	**–**	**–**	**482**
At 31 December 2023	**276,584**	**61,623**	**5,050**	**–**	**343,257**
CARRYING VALUES					
At 31 December 2023	**10,875**	**12,678**	**420**	**2,111**	**26,084**
At 31 December 2022	21,417	15,152	927	2,955	40,451

16. PROPERTY AND EQUIPMENT *(continued)*

The above items of property and equipment, except for construction in progress, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the lease term
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Impairment assessment

As at 31 December 2023 and 2022, in view of the unsatisfied performance for the periods and unfavourable future prospects of some restaurants, the management of the Group concluded there were impairment indications for these restaurants. As at 31 December 2023 and 2022, the management of the Group also noticed that some restaurants achieved significant improvement in their operations as a result of the optimization of the internal management and the Chinese government adjusted its pandemic prevention policies in December 2022, and concluded that there were indications that the impairment losses recognized in prior years for the relevant restaurants may no longer exist or may have decreased. The Group estimated the recoverable amounts of above restaurants (cash generating units ("CGUs")) to which the asset belongs when it is not possible to estimate the recoverable amounts individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the remaining lease periods which are between 0 to 5 years with a pre-tax discount rate of 8.5% as at 31 December 2023 (2022: 9% to 11%), respectively. The annual growth rate used is 4.25% (2022: 4.25%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the 5-year period are extrapolated using 4.25% growth rate (2022: 4.25%). Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that 1) the recoverable amount of certain cash-generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of property and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero; and 2) the recoverable amount of certain cash-generating unit is higher than the carrying amount. The reversal of impairment amount has been allocated to each category of property and equipment and right-of-use assets such that the carrying amount of each category of asset is not increased above its recoverable amount (if determinable) and the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Based on the value in use calculation and the allocation, impairment loss reversal of approximately RMB732,000 (2022: reversal of approximately RMB6,966,000) has been made against the carrying amount of property and equipment, and impairment loss recognised of approximately RMB5,841,000 (2022: reversal of RMB5,709,000) has been made against the carrying amount of right-of-use assets within the relevant functions to which these assets relate.

17. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 31 December 2023	
Carrying amount	**115,462**
As at 31 December 2022	
Carrying amount	164,329
For the year ended 31 December 2023	
Depreciation charge	**62,006**
Impairment loss recognised in profit or loss	**5,841**
For the year ended 31 December 2022	
Depreciation charge	97,226
Impairment loss reversed in profit or loss	(5,709)

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Expense relating to short-term leases	**2,374**	4,916
Variable lease payments not included in the measurement of lease liabilities	**278**	1,450
Total cash outflow for leases	**87,123**	93,708
Additions to right-of-use assets	**21,477**	55,082

For both years, the Group leases restaurant properties for its operations. Lease contracts are entered into for fixed term of 2 years to 8 years (2022: 2 years to 8 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. RIGHT-OF-USE ASSETS *(continued)*

Restrictions or covenants on leases

In addition, lease liabilities of RMB152,006,000 are recognised with related right-of-use assets of approximately RMB115,462,000 as at 31 December 2023 (2022: lease liabilities of RMB209,251,000 and related right-of-use assets of approximately RMB164,329,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Rent concessions

The rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB27,364,000 were recognised as negative variable lease payments during the year ended 31 December 2022.

Details of the lease maturity analysis of lease liabilities are set out in Notes 29 and 39b.

Details of impairment of right-of-use assets are set out in Note 16.

18. INTANGIBLE ASSETS

	Trademark RMB'000	Software RMB'000	Total RMB'000
COST			
At 1 January 2022, 31 December 2022 and 31 December 2023	**18,589**	**20,784**	**39,373**
AMORTISATION AND IMPAIRMENT			
At 1 January 2022	18,589	18,854	37,443
Charge for the year	–	490	490
At 31 December 2022	**18,589**	**19,344**	**37,933**
Charge for the year	**–**	**249**	**249**
At 31 December 2023	**18,589**	**19,593**	**38,182**
CARRYING VALUES			
At 31 December 2023	**–**	**1,191**	**1,191**
At 31 December 2022	–	1,440	1,440

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Trademark	10 years
Software	5–10 years

As at 31 December 2023, impairment of trademark amounted to RMB17,108,000 (2022: RMB17,108,000) has been recognised.

19. EQUITY INVESTMENTS AT FVTOCI

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000	% of equity interest held by the Group
United States listed equity investments, at fair value through other comprehensive income:				
眾鉅有限合夥企業 Zhongju Limited Partnership Enterprise ("**Zhongju LPE**")	(a)	**–**	–	2.94%
Unlisted equity investments, at fair value through other comprehensive income:				
鹽城冠華水產有限公司 Yancheng Guanhua Aquatic Products Co., Ltd.* ("**Yancheng Guanhua**")	(b)	**–**	5,000	0.00%
上海眾横快建品牌管理有限公司 Shanghai Zhong Hong Kuai Jian Brand Management Co., Ltd.*	(c)	**–**	–	16.67%
		–	5,000	
		–	5,000	

The above equity investments were irrevocably designated at FVTOCI as the directors of the Company believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

(a) In 2015, Shanghai Xiao Nan Guo Restaurant Co., Ltd., an indirect wholly-owned subsidiary of the Company, the general partner of Zhongju LPE ("**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 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 2.94% of the relevant total partners' capital, equivalent to 0.44% of the issued share capital of Mercurity Fintch Holding Inc.). No fair value change for the year ended 31 December 2023 (2022: Nil) was recognised in other comprehensive income. An accumulated decrease in fair value as of 31 December 2023 with an amount of RMB2,421,000 (31 December 2022: RMB2,421,000) was recognised in other comprehensive income.

(b) On 29 June 2013, the Group acquired a 24.01% equity interest in an unlisted aquatic company with approximately RMB10,000,000. 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.

As at 11 October 2022, the Group entered into an agreement with an independent third party for the disposal of the remaining equity interest in Yancheng Guanhua at a consideration of RMB5,000,000. Upon receipt of all the consideration, the Group no longer holds any equity interest of Yancheng Guanhua. RMB2,000,000 has been received during the year ended 31 December 2022 and the remaining RMB3,000,000 has been received at the end of February 2023.

(c) On 15 July 2015, the Group acquired a 20% equity interest in Shanghai Zhong Hong 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. Full impairment had been recognised in prior years and no fair value change for the year ended 31 December 2023 (2022: Nil) was recognised in other comprehensive income.

* The English names are for identification purpose only.

20. INVENTORIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Food and beverages, and other operating items, net	**5,098**	8,069

21. TRADE RECEIVABLES

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

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

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

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

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

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

Details of impairment assessment of trade receivables are set out in Note 39.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES/LONG-TERM RENTAL DEPOSITS

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Deposits and other receivables	(i)	**57,796**	63,550
Input VAT recoverable		**4,608**	1,600
Prepaid expense		**6,100**	4,959
Prepayments		**7,941**	8,504
		76,445	78,613
Impairment allowance		**(26,334)**	(28,622)
		50,111	49,991
Current		**26,812**	18,932
Non-current	(ii)	**23,299**	31,059
		50,111	49,991

Details of impairment assessment of deposits and other receivables are set out in Note 39.

Notes:

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

(ii) It represents long-term rental deposits paid to various landlords with lease terms that will expire more than one year after the end of the reporting period.

23. AMOUNTS DUE FROM (TO) RELATED PARTIES

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

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

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

Note: As at 31 December 2023, bank balances of approximately RMB4,098,000 (2022: RMB4,680,000) was restricted for pending legal disputes ordered by the court in the PRC. A subsidiary has been disposed of during the year ended 31 December 2023 with restricted bank deposits of approximately RMB4,690,000 as disclosed in Note 36.

As at 31 December 2023, time deposits of Nil (2022: RMB15,045,000) were pledged for bank loans borrowed by the Group, for details please refer to Note 27.

At the end of the reporting period, the bank balances and cash (including time deposits) of the Group denominated in RMB amounted to approximately RMB20,201,000 (2022: RMB44,596,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Details of impairment assessment of cash and cash equivalents, restricted bank deposits and pledged bank deposits are set out in Note 39.

25. TRADE PAYABLES

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

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

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

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

26. OTHER PAYABLES AND ACCRUALS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Accruals and other payables (Note)	**52,612**	87,813
Payroll and welfare payables	**11,559**	15,714
Accrued construction costs	**8,535**	8,537
Taxes other than corporate income tax	**172**	276
	72,878	112,340

Note: The amounts of other payables included litigation compensation payables of RMB5,000,000 as at 31 December 2022 to a third party alleging that a subsidiary of the Group violated registered trademarks and unfair competition in the PRC. The subsidiary has been disposed of during the year ended 31 December 2023 as disclosed in Note 36.

27. BORROWINGS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Bank loans	**25,000**	28,400
Secured	**–**	15,000
Unsecured	**25,000**	13,400
	25,000	28,400
The carrying amounts of the above borrowings are repayable*:		
Within one year	**25,000**	15,000
The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**–**	13,400
	25,000	28,400
Less: Amounts due within one year shown under current Liabilities	**(25,000)**	(28,400)
Amounts shown under non-current liabilities	**–**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Details of charges over the borrowings are disclosed in Note 43.

The exposure of the Group's borrowings are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Fixed-rate borrowings	**25,000**	15,000
Variable-rate borrowings	**–**	13,400
	25,000	28,400

27. BORROWINGS *(continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Year ended 31 December	
	2023	2022
Effective interest rates		
Fixed-rate borrowings	**3.65% to 4.20%**	3.70% to 4.20%
Variable-rate borrowings	**–**	5.70% to 8.25%

28. CONTRACT LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Advances from customers	**8,417**	7,370
Deferred income	**343**	326
	8,760	7,696

As at 1 January 2022, contract liabilities amounted to approximately RMB9,046,000.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	**7,516**	8,026

29. LEASE LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Lease liabilities payable:		
Within one year	**61,507**	86,885
Within a period of more than one year but not exceeding five years	**81,123**	122,366
Within a period of more than five years	**9,376**	–
	152,006	209,251
Less: Amount due for settlement within 12 months shown under current liabilities	**(61,507)**	(86,885)
Amount due for settlement after 12 months shown under non-current liabilities	**90,499**	122,366

The weighted average incremental borrowing rate applied to lease liabilities is 5.65% (2022: 5.65%).

30. RESTORATION PROVISIONS

	RMB'000
At 1 January 2022	6,218
Utilisation of provision	(775)
At 31 December 2022	**5,443**
Utilisation of provision	**(989)**
At 31 December 2023	**4,454**

The provision for reinstatement costs is related to the estimated cost of reinstating the rented premises to be carried out at the end of the respective lease period. These amounts have not been discounted for the purpose of measuring the provision for reinstatement works as the effect is not significant.

31. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deferred tax assets	**25,061**	32,675

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior years:

	Accumulated tax depreciation RMB'000	Impairment of property and equipment RMB'000	Fair value adjustments of equity investments at FVTOCI RMB'000	Accrued expenses RMB'000	Tax losses RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022	(2,507)	2,237	1,000	7,253	12,180	(51,922)	46,560	14,801
Credit (charge) to profit or loss	2,507	(2,098)	–	(7,253)	17,071	13,050	(5,403)	17,874
At 31 December 2022	**–**	**139**	**1,000**	**–**	**29,251**	**(38,872)**	**41,157**	**32,675**
Credit (charge) to profit or loss	**–**	**1,921**	**–**	**–**	**(15,572)**	**11,670**	**(5,633)**	**(7,614)**
At 31 December 2023	**–**	**2,060**	**1,000**	**–**	**13,679**	**(27,202)**	**35,524**	**25,061**

At the end of the reporting period, the Group has unused tax losses of approximately RMB754,641,000 (2022: RMB848,089,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB54,716,000 (2022: RMB117,004,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB699,925,000 (2022: RMB731,085,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB556,844,000 that will expire from 2024 to 2028 (2022: RMB657,577,000 that will expire from 2023 to 2027). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB109,863,000 (2022: RMB195,096,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the state regulations of the PRC, the subsidiaries in the PRC 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 the PRC.

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 2023 and 2022, 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.

33. SHARE CAPITAL

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

34. OTHER DEFICITS

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 consolidated financial statements.

a. 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.

b. Share premium

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

c. Capital redemption reserves

The capital redemption reserve represents the nominal amount of the shares repurchased.

d. 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.

e. 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.

f. Statutory 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 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 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.

g. Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside the PRC. The reserve is dealt with in accordance with the accounting policy set out in Note 3 to the consolidated financial statements.

h. 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 3 to the consolidated 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.

i. Revaluation reserve

The revaluation reserve comprises all revaluation changes arising from equity investments at FVTOCI.

35. SHARE-BASED PAYMENTS/SHARE OPTIONS AND AWARD SCHEMES

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 2022:

	Year ended 31 December 2022	
	Weighted average exercise price per share RMB'000	Number of options
At the beginning of the year		2,282
Forfeited during the year	1.166	(60)
Expired during the year	1.166	(2,222)
At the end of the year		–

All the share options under the Pre-IPO Share Option Scheme were forfeited or expired during the year ended 31 December 2022, and the Pre-IPO Share Option Scheme was terminated in 2022.

No share options were exercised during the years ended 31 December 2022.

35. SHARE-BASED PAYMENTS/SHARE OPTIONS AND AWARD SCHEMES *(continued)*

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

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 2022.

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 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).

35. SHARE-BASED PAYMENTS/SHARE OPTIONS AND AWARD SCHEMES *(continued)*

(2) Share Option Scheme *(continued)*

There were no share options granted during the years ended 31 December 2023 and 2022.

The following share options were outstanding under the Share Option Scheme during the years ended 31 December 2023 and 2022:

	Year ended 31 December 2023		Year ended 31 December 2022	
	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		**13,576**		16,378
Forfeited during the year	**1.415**	**(5,888)**	1.339	(2,802)
At the end of the year		**7,688**		13,576

No share options under the Share Option Scheme were exercised during the years ended 31 December 2023 and 2022.

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 2023 are as follows:

Number of options '000	**Exercise price** HK$ per share	**Exercise period**
1,260	1.49	1 July 2015 to 29 June 2024
2,244	1.29	1 July 2015 to 29 June 2024
227	1.29	1 January 2016 to 31 December 2024
1,457	0.99	1 January 2016 to 31 December 2024
2,500	0.20	21 October 2019 to 21 October 2029
7,688		

35. SHARE-BASED PAYMENTS/SHARE OPTIONS AND AWARD SCHEMES *(continued)*

(2) Share Option Scheme *(continued)*

The Group did not recognise share option expense for the year ended 31 December 2023 (2022: Nil). The Group transferred RMB3,510,000 from share option reserve to accumulated losses for the shares forfeited during the year ended 31 December 2023 (2022: RMB5,916,000).

As at 31 December 2023, the Company had 7,688,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 7,688,000 additional ordinary shares of the Company and additional share capital of RMB70,000 and share premium of RMB16,280,000 (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 20 December 2019 and revised 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.

35. SHARE-BASED PAYMENTS/SHARE OPTIONS AND AWARD SCHEMES *(continued)*

(3) Share Award Scheme *(continued)*

Details of Share Awards granted under the Share Award Scheme

Details of share award granted during the years ended 31 December 2023 and 2022 are as follows:

Date of grant	Average fair value per share at date of grant	Number of awarded shares	Number of awarded shares vested during the year ended 31 December 2023	2022	Vesting period
25 November 2021	HK$0.062	58,952,933	**–**	–	25 November 2021
25 November 2021	HK$0.062	57,219,021	**–**	57,219,021	25 November 2021 to 24 November 2022
25 November 2021	HK$0.062	57,219,021	**57,219,021**	–	25 November 2021 to 24 November 2023

	Average fair value per share	Date of grant	Outstanding at 1/1/2023 '000	Granted during the year '000	Vested during the year '000 (Note i)	Forfeited during the year '000	Outstanding at 31/12/2023 '000
Executive directors							
Mr. GU Dorson	**HK$0.062**	**25 November 2021**	**36,515**	**–**	**(36,515)**	**–**	**–**
Ms. Ping Guoqin	**HK$0.062**	**25 November 2021**	**20,704**	**–**	**(20,704)**	**–**	**–**
Total			**57,219**	**–**	**(57,219)**	**–**	**–**

	Average fair value per share	Date of grant	Outstanding at 1/1/2022 '000	Granted during the year '000	Vested during the year '000 (Note i)	Forfeited during the year '000	Outstanding at 31/12/2022 '000
Executive directors							
Mr. GU Dorson	HK$0.062	25 November 2021	73,030	–	(36,515)	–	36,515
Ms. Ping Guoqin	HK$0.062	25 November 2021	41,408	–	(20,704)	–	20,704
Total			114,438	–	(57,219)	–	57,219

Note:

i. The amount represents awarded shares vested during the year.

The Group recognised the total expense of RMB1,334,000 for the year ended 31 December 2023 (2022: RMB4,487,000) in relation to the Awarded Shares granted by the Company.

36. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2023, the Group had entered into a sales and purchase agreement with an independent third party to dispose of its entire equity interests in Mizhilian at a consideration of Nil. The disposal was completed on 13 December 2023, on which date control of Mizhilian passed to the acquirer. The net liabilities of Mizhilian at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Trade receivables	**40**
Prepayments, deposits and other receivables	**750**
Restricted bank deposits	**4,690**
Other payables and accruals	**(10,964)**
Net liabilities disposed of	**(5,484)**
Gain on disposal of a subsidiary:	
Consideration received	**–**
Net liabilities disposed of	**5,484**
Non-controlling interests	**(3,763)**
Gain on disposal	**1,721**
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	**–**

37. CAPITAL COMMITMENTS

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Capital expenditure in respect of the additions of leasehold improvements contracted for but not provided in the consolidated financial statements	**7,588**	5,256

38. CAPITAL RISK 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, other payables and accruals, contract liabilities and amounts due to related parties, less cash and cash equivalents, restricted bank deposits and pledged bank deposits. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Borrowings	**25,000**	28,400
Trade payables	**62,720**	44,699
Other payables and accruals	**72,878**	120,036
Contract liabilities	**8,760**	7,696
Amounts due to related parties	**3,944**	–
Less: Cash and cash equivalents	**(20,658)**	(47,575)
Restricted bank deposits	**(4,098)**	(4,680)
Pledged bank deposits	**–**	(15,045)
Net debt	**148,546**	125,835
Deficits attributable to owners of the Company	**(75,345)**	(29,717)
Capital and net debt	**73,201**	96,118
Gearing ratio	**202.93%**	130.92%

39. FINANCIAL INSTRUMENTS

39a. Categories of financial instruments

	31 December 2023 RMB'000	31 December 2022 RMB'000
Financial assets		
Amortised cost	**64,465**	111,309
Equity instruments at FVTOCI	**–**	5,000
Financial liabilities		
Amortised cost	**316,376**	389,414

39b. Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at FVTOCI, long-term rental deposits, trade receivables, deposits and other receivables, amounts due from (to) related parties, pledged bank deposits, restricted bank deposits, cash and cash equivalents, trade payables, other payables and accruals, lease liabilities and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 27 for details of these borrowings) and lease liabilities (see Note 29 for details). The Group is also exposed to cash flow interest rate risk in relation to pledged bank deposits (see Note 24), restricted bank deposits (see Note 24), variable-rate bank balances (see Note 24 for details) and variable-rate bank borrowings (see Note 27 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances arising from the Group's Hong Kong dollar denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

39. FINANCIAL INSTRUMENTS *(continued)*

39b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

Total interest income from financial assets that are measured at amortised cost is as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interest income under effective interest method	**621**	527

Interest expense on financial liabilities not measured at FVTPL:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Financial liabilities at amortised cost	**1,484**	1,072

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments at the end of the reporting period were outstanding for the whole year. A 100 basis points (2022: 50 basis points) increase or decrease which represents management's assessment of the reasonably possible change in interest rates is used.

The management of the Group adjusted the sensitivity rate from 50 basis points to 100 basis points for assessing interest rate risk after considering the impact of the volatile financial market conditions in third quarter of 2023.

If interest rates had been 100 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2023 would decrease/increase by approximately RMB190,000 (2022: RMB623,000).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to long-term rental deposits, trade receivables, deposits and other receivables, amounts due from related parties, pledged bank deposits, restricted bank deposits and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

39. FINANCIAL INSTRUMENTS *(continued)*

39b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the directors of the Company have a credit control policy in place under which credit evaluation of customers are performed on all customers requiring credit. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under ECL model on trade receivables from credit card companies and delivery agents and the remaining trade receivables of the Group individually.

Trade receivables from financial institutions in connection to settlements by credit cards by the customers are with high credit rating and have no past due history. The directors of the Company consider these assets are short-term in nature and the probability of default is negligible on the basis of the high-credit-rating issuers as at 31 December 2023 and 2022; and accordingly, no loss allowance was recognised. The management considered the probability of default of trade receivables with delivery agents and other payment channels is low since there is no overdue balance, and after taking into the account of the past default experience of the debtors and adjusted for general economic conditions of the industry at the reporting date. Accordingly, the directors of the Company are of the opinion that the credit risk of these trade receivables is limited.

Pledged bank deposits/restricted bank deposits/bank balances

Credit risk on pledged bank deposits, restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for pledged bank deposits, restricted bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits/bank balances is considered to be insignificant and therefore no loss allowance was recognised/to specify the amount of impairment made.

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for the other receivables that are past due, the management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2023 and 2022, the Group assessed the ECL for other receivables and deposits and impairment loss of approximately RMB2,720,000 (2022: RMB969,000) is reversed.

39. FINANCIAL INSTRUMENTS *(continued)*

39b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Amounts due from related parties

The Group regularly monitors the business performance of the related parties. The Group's credit risks in this balance are mitigated through the value of the assets held by these entities. The management believes that there is no significant increase in credit risk of this amount since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2023 and 2022, the Group assessed the ECL for amounts due from related parties is insignificant and thus no loss allowance is recognised.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS *(continued)*

39b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount HK$'000	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Financial assets at amortised cost								
Trade receivables – contracts with customers	21	N/A	Low risk	Lifetime ECL (individual assessment)	**5,440**		4,760	
		N/A	Loss	Lifetime ECL (individual assessment)	**1,751**	**7,191**	2,869	7,629
Other receivables and deposits	22	N/A	Low risk	12m ECL	**31,462**		34,928	
		N/A	Loss	Lifetime ECL – credit-impaired	**26,334**	**57,796**	28,622	63,550
Amounts due from related parties	23	N/A	Low risk	12m ECL		**2,807**		4,321
Pledged bank deposits	24	A1	N/A	12m ECL		**–**		15,045
Restricted bank deposits	24	A2	N/A	12m ECL		**4,098**		4,680
Cash and cash equivalents	24	Baa3-Aa3	N/A	12m ECL		**20,658**		47,575

Note: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

39. FINANCIAL INSTRUMENTS *(continued)*

39b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

2023

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
Other receivables and deposits	**26,334**	**31,462**	**57,796**
Amounts due from related parties	**–**	**2,807**	**2,807**

2022

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
Other receivables and deposits	28,622	34,928	63,550
Amounts due from related parties	–	4,321	4,321

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Trade receivable – Lifetime ECL (individual assessment) RMB'000
As at 1 January 2022	2,874
Write-offs	(47)
Exchange adjustments	42
As at 31 December 2022	**2,869**
Impairment losses reversed	**(1,125)**
Exchange adjustments	**7**
As at 31 December 2023	**1,751**

39. FINANCIAL INSTRUMENTS *(continued)*

39b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

The following table shows the movement in lifetime ECL that has been recognised for other receivables and deposits.

	Other receivables and deposits – Lifetime ECL (individual assessment) RMB'000
As at 1 January 2022	37,199
Impairment losses reversed	(969)
Written-offs	(7,608)
As at 31 December 2022	**28,622**
Impairment losses reversed	**(2,720)**
Exchange adjustments	**432**
As at 31 December 2023	**26,334**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instruments. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on management's best estimates at the end of the reporting period, taking into consideration interest rate curve, if available.

39. FINANCIAL INSTRUMENTS *(continued)*

39b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
31 December 2023							
Interest-bearing bank loans	**3.97**	**10,376**	**15,189**	**–**	**–**	**25,565**	**25,000**
Trade payables	**–**	**62,720**	**–**	**–**	**–**	**62,720**	**62,720**
Financial liabilities included in other payables and accruals	**–**	**72,706**	**–**	**–**	**–**	**72,706**	**72,706**
Amounts due to related parties	**–**	**3,944**	**–**	**–**	**–**	**3,944**	**3,944**
Lease liabilities	**5.65**	**20,308**	**47,946**	**89,782**	**9,522**	**167,558**	**152,006**
		170,054	**63,135**	**89,782**	**9,522**	**332,493**	**316,376**

	Weighted average interest rate %	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
31 December 2022							
Interest-bearing bank loans	5.64	18,762	10,392	–	–	29,154	28,400
Trade payables	–	44,699	–	–	–	44,699	44,699
Financial liabilities included in other payables and accruals	–	107,064	–	–	–	107,064	107,064
Lease liabilities	5.65	25,626	69,743	142,050	–	237,419	209,251
		196,151	80,135	142,050	–	418,336	389,414

39. FINANCIAL INSTRUMENTS *(continued)*

39c. Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company have set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group instructs its internal investment team to perform the valuation. The valuation committee works closely with the investment team to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the directors of the Company every quarter to explain the cause of fluctuations in the fair value.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2023 RMB'000	2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key inputs	Relationship of key inputs to fair value
Assets					
Unlisted equity securities	–	5,000	Level 3	Discounted cash flow method	A significant increase in the expected yield would result in a significant increase in fair value, and vice versa.

There were no transfers in different levels of the fair value hierarchy between Level 1, 2 and 3 during the reporting period.

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted equity securities RMB'000
At 1 January 2022 and 31 December 2022	5,000
Disposals	**(5,000)**
At 31 December 2023	–

Included in other comprehensive income is an amount of Nil gain (2022: Nil) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of revaluation reserve.

39. FINANCIAL INSTRUMENTS *(continued)*

39c. Fair value measurements of financial instruments *(continued)*

(iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values based on discounted cash flows analysis.

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to related parties	**Lease liabilities**	**Borrowings**
	Note 23	Note 29	Note 27
	RMB'000	RMB'000	RMB'000
At 1 January 2022	131	279,391	31,252
Financing cash flows	(131)	(87,342)	(5,249)
New leases entered/lease modified (Note 41)	–	55,082	–
Interest expenses	–	14,787	1,072
Covid-19-related rent concessions	–	(27,364)	–
Lease terminated	–	(26,564)	–
Exchange adjustments	–	1,261	1,325
At 31 December 2022	–	209,251	28,400
Financing cash flows	**3,944**	**(84,471)**	**(4,980)**
New leases entered/lease modified (Note 41)	**–**	**21,477**	**–**
Interest expenses	**–**	**9,426**	**1,484**
Lease terminated	**–**	**(3,827)**	**–**
Exchange adjustments	**–**	**150**	**96**
At 31 December 2023	**3,944**	**152,006**	**25,000**

41. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of restaurant properties for 6 to 8 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately RMB21,477,000 and RMB21,477,000 (2022: RMB55,082,000 and RMB55,082,000), respectively.

42. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

		Year ended 31 December	
		2023	2022
Relationships	**Nature of balances/transactions**	**RMB'000**	RMB'000
Related companies	Actual spending of pre-paid cards (Note (i))	**3,416**	2,116
	Commission paid for pre-paid cards (Note (i))	**20**	17

Note:

i. The Group entered into a pre-paid card agreement in 2014 with Shanghai Hui Feng Restaurant Management Co., Ltd. ("**Hui Feng**") 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.

   The commission rate payable to Hui Feng 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.

42. RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	**4,834**	4,495
Share Award Scheme expenses	**1,334**	4,487
	6,168	8,982

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's interest-bearing bank loans are included in Notes 24 and 27 to the financial statements.

The Group's borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	31 December 2023	31 December 2022
	RMB'000	RMB'000
Pledged bank deposits	–	15,045

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

44.1 General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name	Place of incorporation/ registration/ operations	Paid up issued/ registered capital '000	Portion of ownership interest and voting right power held by the Company Direct 31 December 2023	2022	Indirect 31 December 2023	2022	Principal activities Notes
Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. 上海浦東小南國餐飲有限公司	PRC	RMB5,000	–	–	**100**	100	(1)
Shanghai Xiao Nan Guo Restaurant Co., Ltd. 上海小南國餐飲有限公司	PRC	RMB30,000	–	–	**100**	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	RMB500	–	–	**100**	100	(1)
Beijing Xiao Nan Guo Restaurant Management Co., Ltd. 北京小南國餐飲管理有限公司	PRC	RMB1,000	–	–	**100**	100	(1)
Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. 上海虹梅小南國餐飲有限公司	PRC	RMB5,000	–	–	**100**	100	(1)
Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd. 上海長寧小南國餐飲有限公司	PRC	RMB500	–	–	**100**	100	(1)
Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd. 南京小南國匯珉餐飲有限公司	PRC	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	RMB500	–	–	**100**	100	(1)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

44.1 General information of subsidiaries *(continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below. (continued)

Name	Place of incorporation/ registration/ operations	Paid up issued/ registered capital '000	Portion of ownership interest and voting right power held by the Company Direct 31 December 2023	2022	Indirect 31 December 2023	2022	Principal activities Notes
Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. 上海昕怡小南國餐飲管理有限公司	PRC	RMB500	–	–	100	100	(1)
Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd. 上海寶山小南國餐飲有限公司	PRC	RMB500	–	–	100	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	RMB500	–	–	100	100	(1)
Tianjin Hui Zhi Nan Restaurant Management Co., Ltd. 天津慧之南餐飲管理有限公司	PRC	RMB500	–	–	–**	100	(1)
Wuxi Hui Zhi Nan Restaurant Co., Ltd. 無錫慧之南餐飲有限公司	PRC	RMB500	–	–	100	100	(1)
Shanghai Huijie Restaurant Management Co., Ltd. 上海慧捷餐飲管理有限公司*	PRC	RMB30,000	–	–	100	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	RMB20,000	–	–	100	100	(1)
Shanghai Nan Xiao Guan Restaurant Management Co., Ltd. 上海南小館餐飲管理有限公司*	PRC	RMB10,000	–	–	100	100	(1)
Beijing Nan Zhi Xin Restaurant Management Co., Ltd. 北京南之新餐飲管理有限公司	PRC	RMB500	–	–	100	100	(1)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

44.1 General information of subsidiaries *(continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below. (continued)

Name	Place of incorporation/ registration/ operations	Paid up issued/ registered capital '000	Portion of ownership interest and voting right power held by the Company Direct 31 December 2023	Direct 31 December 2022	Indirect 31 December 2023	Indirect 31 December 2022	Principal activities Notes
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	RMB450,000	**–**	–	**100**	100	(2)
Shanghai He Jiang Restaurant Management Co., Ltd. 上海盒匠餐飲管理有限公司*	PRC	HK$20,000	**–**	–	**65**	65	(1)
Xiao Nan Guo Management Co., Ltd. 小南國管理有限公司	Hong Kong	HK$0.2	**–**	–	**100**	100	(3)
Xiao Nan Guo Management (Kowloon) Limited 小南國管理(九龍)有限公司	Hong Kong	HK$10	**–**	–	**100**	100	(3)
Xiao Nan Guo (Causeway Bay) Management Limited 小南國(銅鑼灣)管理有限公司	Hong Kong	HK$300	**–**	–	**100**	100	(3)
Xiao Nan Guo (Kowloon Bay) Management Limited 小南國(九龍灣)管理有限公司	Hong Kong	HK$10	**–**	–	**100**	100	(3)
Xiao Nan Guo (One Peking) Management Limited 小南國(北京道)管理有限公司	Hong Kong	HK$0.001	**–**	–	**100**	100	(3)
Nan Xiao Guan (City One) Management Limited 南小館(第一城)管理有限公司	Hong Kong	HK$0.001	**–**	–	**100**	100	(3)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

44.1 General information of subsidiaries *(continued)*

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below. (continued)

Name	Place of incorporation/ registration/ operations	Paid up issued/ registered capital '000	Portion of ownership interest and voting right power held by the Company Direct 31 December 2023	2022	Indirect 31 December 2023	2022	Principal activities Notes
X&D HongKong Limited ("**X&D**")	Hong Kong	HK$0.1	**–**	–	**65**	65	(4)
Shanghai Mizhilian Restaurant Management Co., Ltd. 上海米芝蓮餐飲管理有限公司	PRC	RMB200	**–**	–	**–**	50	(5)
Shanghai Yan Meng Information and Technology Development Co., Ltd. 上海焱萌信息科技發展有限公司	PRC	RMB10,000	**–**	–	**100**	100	(6)
Shanghai Fei Can Restaurant Management Co., Ltd. 上海飛燦餐飲管理有限公司	PRC	RMB5,000	–	–	100	100	(1)

* Registered as a wholly-foreign-owned enterprise under PRC law.
** Deregistered during the year ended 31 December 2023.

Notes:

(1) Operation of restaurant chain stores in the PRC
(2) Restaurant management and operation of Chinese restaurant chain stores in the PRC
(3) Operation of restaurant chain stores in Hong Kong
(4) Investment holding in the PRC
(5) Rendering of management services and franchise operation in the PRC
(6) Rendering of IT technology services and sale of software in the PRC

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.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

44.2 Details of non-wholly owed subsidiaries that have material non-controlling interests

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

	Notes	**31 December 2023**	31 December 2022
Percentage of equity interest held by non-controlling interests:			
Mizhilian	(a)	**–**	50%
X&D		**35%**	35%

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000
(Loss) profit for the year allocated to non-controlling interests:		
Mizhilian	**(1,563)**	2,373
X&D	**(179)**	419
	(1,752)	2,792

	31 December 2023 RMB'000	31 December 2022 RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
Mizhilian	**–**	(2,195)
X&D	**1,593**	1,772
	1,593	(423)

(a) As stated in Note 4, the Group considered that it has controls over Mizhilian even though it owns 50% of the ownership interest and voting rights as at 31 December 2022.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

44.2 Details of non-wholly owed subsidiaries that have material non-controlling interests *(continued)*

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	X&D RMB'000
2023	
Revenue	**–**
Total expenses	**(526)**
Loss for the year	**(526)**
Exchange differences on translation of foreign operations	**5**
Total comprehensive expense for the year	**(521)**
Current assets	**5,349**
Non-current assets	**10**
Current liabilities	**(809)**
Non-current liabilities	**–**
Cash and cash equivalents	**5,299**

	Mizhilian RMB'000	X&D RMB'000
2022		
Revenue	2,468	428
Total income	2,278	769
Income for the year	4,746	1,197
Exchange differences on translation of foreign operations	–	(6)
Total comprehensive income for the year	4,746	1,191
Current assets	7,518	7,639
Non-current assets	–	15
Current liabilities	(11,212)	(2,592)
Non-current liabilities	(696)	–
Cash and cash equivalents	–	7,592

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	**24,920**	27,304
CURRENT ASSET		
Cash and cash equivalents	**2,235**	2,987
NET CURRENT ASSET	**2,235**	2,987
NET ASSET	**27,155**	30,291
CAPITAL AND RESERVES		
Share capital	**18,393**	18,393
Treasury shares	**(2,274)**	(894)
Other reserves	**11,036**	12,792
TOTAL EQUITY	**27,155**	30,291

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

Movement in the Company's reserves

	Share premium RMB'000	Capital redemption RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Share Option reserve RMB'000	Share Award Scheme reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	723,723	27	59,312	225,829	19,411	2,999	(1,004,970)	26,331
Loss for the year	–	–	–	–	–	–	(8,723)	(8,723)
Exchange differences on translation of foreign operations	–	–	–	2,764	–	–	–	2,764
Total comprehensive income (expense) for the year	–	–	–	2,764	–	–	(8,723)	(5,959)
Transfer of treasury shares to Share Award Scheme reserve	–	–	–	–	–	(7,486)	(4,581)	(12,067)
Lapse of share options (Note 35)	–	–	–	–	(5,916)	–	5,916	–
Share Award Scheme expenses	–	–	–	–	–	4,487	–	4,487
At 31 December 2022	723,723	27	59,312	228,593	13,495	–	(1,012,358)	12,792
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,157)**	**(4,157)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**1,067**	**–**	**–**	**–**	**1,067**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**1,067**	**–**	**–**	**(4,157)**	**(3,090)**
Lapse of share options (Note 35)	**–**	**–**	**–**	**–**	**(3,510)**	**–**	**3,510**	**–**
Share Award Scheme expenses	**–**	**–**	**–**	**–**	**–**	**1,334**	**–**	**1,334**
At 31 December 2023	**723,723**	**27**	**59,312**	**229,660**	**9,985**	**1,334**	**(1,013,005)**	**11,036**

46. COMPARATIVE FIGURES

Certain comparative figures of the consolidated financial statements were reclassified to conform with the current year's presentation.

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of directors on 28 March 2024.

FIVE YEARS FINANCIAL SUMMARY

RMB'000	2019	2020	2021	2022	**2023**
Revenue	1,228,857	644,386	691,517	325,604	**450,539**
Cost of sales	(371,814)	(207,658)	(222,702)	(105,854)	**(151,547)**
Gross profit	857,043	436,728	468,815	219,750	**298,992**
Other income	10,408	18,142	8,788	9,402	**11,740**
Other gains and losses	(33,793)	(123,687)	(39,939)	42,918	**(5,805)**
Selling and distribution costs	(815,102)	(498,374)	(415,988)	(293,534)	**(285,212)**
Administrative expenses	(130,638)	(103,208)	(90,049)	(55,411)	**(48,967)**
Finance costs	(30,889)	(16,283)	(18,783)	(15,859)	**(10,910)**
LOSS BEFORE TAX	(142,981)	(284,796)	(87,156)	(92,734)	**(40,162)**
Income tax (expense) credit	(20,279)	(35,732)	(622)	26,298	**(7,008)**
LOSS FOR THE YEAR	(163,260)	(320,528)	(87,778)	(66,436)	**(47,170)**
Attributable to:					
Owners of the Company	(164,471)	(318,752)	(82,368)	(69,228)	**(45,418)**
Non-controlling interests	1,211	(1,776)	(5,410)	2,792	**(1,752)**
Total non-current assets	686,100	358,647	328,146	274,954	**191,097**
Total current assets	348,314	237,337	202,619	103,382	**64,913**
Total current liabilities	365,599	339,536	302,839	280,667	**234,809**
TOTAL ASSETS LESS CURRENT LIABILITIES	668,815	256,448	227,926	97,669	**21,201**
Total non-current liabilities	218,492	137,057	192,235	127,809	**94,953**
NET ASSETS (LIABILITIES)	450,323	119,391	35,691	(30,140)	**(73,752)**