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# 上 | 海 | 小 | 南 | 国

SHANGHAI XNG HOLDINGS LIMITED

**Shanghai XNG Holdings Limited**

**上海小南国控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3666)**

## **INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024**

### **FINANCIAL HIGHLIGHTS**

#### **For the six months ended 30 June**

	<b>2024</b>	<b>2023</b>	<b>% Change</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(decrease)/ increase</b>
Revenue (RMB'000)	<b>182,379</b>	242,268	(24.7%)
Gross profit <sup>1</sup> (RMB'000)	<b>118,969</b>	162,394	(26.7%)
Gross profit margin <sup>2</sup>	<b>65.2%</b>	67.0%	(1.8%)
Loss for the period (RMB'000)	<b>(29,403)</b>	(3,407)	763.0%
Net loss margin <sup>3</sup>	<b>(16.1%)</b>	(1.4%)	(14.7%)
Number of restaurants (as at 30 June)	<b>21</b>	31	

#### *Notes:*

1. The calculation of gross profit is based on revenue less cost of sales.
2. The calculation of gross profit margin is based on gross profit divided by revenue.
3. Net loss margin is calculated as loss for the period divided by revenue.

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Shanghai XNG Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) together with unaudited comparative figures for the corresponding period in the year 2023 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	RMB'000 (unaudited)	RMB'000 (unaudited)
REVENUE	3	182,379	242,268
Cost of sales		(63,410)	(79,874)
Gross profit		118,969	162,394
Other income	5	1,737	6,612
Other gains and losses	6	(2,139)	3,440
Selling and distribution expenses		(125,812)	(143,504)
Administrative expenses		(17,016)	(24,671)
Finance costs	7	(4,127)	(5,855)
LOSS BEFORE TAX		(28,388)	(1,584)
Income tax expense	8	(1,015)	(1,823)
LOSS FOR THE PERIOD	9	(29,403)	(3,407)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(1,594)	(328)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		(30,997)	(3,735)
(Loss) profit for the period attributable to:			
Owners of the Company		(29,438)	(3,141)
Non-controlling interests		35	(266)
		(29,403)	(3,407)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(31,025)	(3,466)
Non-controlling interests		28	(269)
		(30,997)	(3,735)
LOSS PER SHARE	11		
Basic and diluted		RMB(1.35) cents	RMB(0.14) cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024 <i>RMB'000</i> (unaudited)	31 December 2023 <i>RMB'000</i> (audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property and equipment		20,907	26,084
Right-of-use assets		80,030	115,462
Intangible assets		778	1,191
Long-term rental deposits		21,098	23,299
Deferred tax assets		24,458	25,061
		<u>147,271</u>	<u>191,097</u>
<b>CURRENT ASSETS</b>			
Inventories		5,760	5,098
Trade receivables	12	3,311	5,440
Prepayments, deposits and other receivables		17,993	26,812
Amounts due from related parties		4,249	2,807
Restricted bank deposits		6,291	4,098
Cash and cash equivalents		8,442	20,658
		<u>46,046</u>	<u>64,913</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	13	63,205	62,720
Other payables and accruals		74,638	72,878
Borrowings	14	19,000	25,000
Financial liabilities at fair value through profit or loss (“FVTPL”)		17,478	–
Amounts due to related parties		12,345	3,944
Contract liabilities		6,768	8,760
Lease liabilities		44,254	61,507
Tax liabilities		216	–
		<u>237,904</u>	<u>234,809</u>
<b>NET CURRENT LIABILITIES</b>		<u>(191,858)</u>	<u>(169,896)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(44,587)</u>	<u>21,201</u>

		<b>30 June 2024</b>	31 December 2023
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		<b>55,893</b>	90,499
Restoration provisions		<b>4,501</b>	4,454
		<b>60,394</b>	94,953
<b>NET LIABILITIES</b>			
		<b>(104,981)</b>	(73,752)
<b>CAPITAL AND DEFICITS</b>			
Share capital	15	<b>18,393</b>	18,393
Treasury shares	15	<b>(305)</b>	(2,274)
Other deficits		<b>(124,690)</b>	(91,464)
<b>Deficits attributable to owners of the Company</b>			
Non-controlling interests		<b>1,621</b>	1,593
<b>TOTAL DEFICITS</b>			
		<b>(104,981)</b>	(73,752)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

The condensed 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 RMB29,438,000 for the six months ended 30 June 2024 and, as at 30 June 2024, the Group’s current liabilities exceeded its current assets by approximately RMB191,858,000 and the Group’s total liabilities exceeded its total assets by approximately RMB104,981,000, while the Group had cash and cash equivalents of approximately RMB8,442,000.

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 been actively negotiating with certain banks for new banking facilities; and
- (iii) 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 condensed 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 condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than change in accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

### Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease liability in a Sale Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE

### Disaggregated of revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Types of goods or services</b>		
Restaurant operations	179,637	236,643
Sale of packed foods	2,742	4,168
Management fee from franchisee	–	1,457
Total	<u>182,379</u>	<u>242,268</u>
<b>Timing of revenue recognition</b>		
A point in time	182,379	240,811
Over time	–	1,457
Total	<u>182,379</u>	<u>242,268</u>

#### 4. OPERATING SEGMENTS

The Group operates as one business unit based on brands and services, 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 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	
	Six months ended 30 June		30 June	31 December
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China (the "PRC")	157,094	211,945	97,374	135,656
Hong Kong	25,285	30,323	4,341	7,081
	<u>182,379</u>	<u>242,268</u>	<u>101,715</u>	<u>142,737</u>

*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 six months ended 30 June 2024 and 2023.

#### 5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Additional tax deduction ( <i>Note a</i> )	757	5,335
Management fee income	683	110
Interest income	53	264
Government grants ( <i>Note b</i> )	–	555
Dividend income from equity investments at fair value through other comprehensive income	–	300
Others	244	48
	<u>1,737</u>	<u>6,612</u>

- (a) The amounts represent the additional input value added tax deduction, pursuant to the announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC, which become effective from 1 April 2019 onwards.
- (b) There are no unfulfilled conditions or contingencies attaching to government grants that had been recognised.

## 6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Gain on deregistration of subsidiaries and branches	189	–
Gain on disposal of a subsidiary	458	–
Foreign exchange differences, net	(3)	–
Impairment losses reversed (recognised) in respect of		
– property and equipment	(2,271)	–
– right-of-use assets	–	3,002
– trade receivables	–	284
– other receivables	–	1,019
Fair value loss of financial liabilities at FVTPL	(5,165)	–
Gain on early termination of leases	4,780	1,345
Loss on disposal of property and equipment	(127)	(2,210)
	<u>(2,139)</u>	<u>3,440</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on lease liabilities	3,715	5,032
Interest on bank loans	412	823
	<u>4,127</u>	<u>5,855</u>

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income tax	933	(168)
Deferred tax	82	1,991
	<u>1,015</u>	<u>1,823</u>

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 periods.

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

No provision for taxation in Hong Kong has been made as none of the Group’s income arises in, nor is derived from, Hong Kong.

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

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

## 9. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Cost of inventories recognised as an expense	<b>63,410</b>	79,874
Depreciation of right-of-use assets	<b>25,775</b>	33,235
Depreciation of property and equipment	<b>7,032</b>	9,349
Amortisation of intangible assets	<b>413</b>	136
Employee benefit expense (including directors' emoluments):		
Wages and salaries	<b>67,804</b>	72,648
Defined contribution pension scheme	<b>4,253</b>	8,193
Share Award Scheme expenses	<b>–</b>	728
	<b>72,057</b>	81,569

## 10. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 11. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<b>(29,438)</b>	(3,141)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<b>2,183,355,000</b>	2,188,297,000

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 2024 and 2023.

## 12. TRADE RECEIVABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade receivables	5,162	7,191
Less: Allowance for credit losses	(1,851)	(1,751)
	<u>3,311</u>	<u>5,440</u>

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 analysis of trade receivables by age, net of allowance for credit losses, presented based on the invoice date, which approximated the revenue recognition date.

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0 – 30 days	1,488	3,203
31 – 60 days	75	47
61 – 90 days	24	40
Over 90 days	1,724	2,150
	<u>3,311</u>	<u>5,440</u>

## 13. TRADE PAYABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade payables	<u>63,205</u>	<u>62,720</u>

The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
0 – 90 days	26,725	49,239
91 – 365 days	33,327	8,901
Over 1 year	3,153	4,580
	<u>63,205</u>	<u>62,720</u>

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

## 14. BORROWINGS

During the current interim period, the Group repaid bank loans amounting to RMB15,000,000 (six months ended 30 June 2023: RMB18,615,000) and drew new loans amounting to RMB9,000,000 (six months ended 30 June 2023: RMB21,467,000). Of the new loans drawn down, RMB9,000,000 (six months ended 30 June 2023: RMB12,400,000) are unsecured, carry interest at fixed market rate ranging from 3.90% to 4.20% (six months ended 30 June 2023: from 3.60% to 4.20%) per annum and are repayable within 1 year (six months ended 30 June 2023: within 1 to 2 years).

During the six months ended 30 June 2023, new bank loan drawn down amounting to RMB4,601,000 was secured, carry interest at fixed market rate 7.53% per annum and repayable on demand. New other loan drawn down amounting to RMB4,610,000 was unsecured, carry interest at 0.01% per annum and repayable within 1 year.

## 15. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2024 '000 (unaudited)	31 December 2023 '000 (audited)	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
<b>Authorised:</b>				
At beginning and end of the period/year	<u>10,000,000</u>	<u>10,000,000</u>	<u>83,112</u>	<u>83,112</u>
<b>Issued and fully paid:</b>				
At beginning and end of the period/year	<u>2,213,031</u>	<u>2,213,031</u>	<u>18,393</u>	<u>18,393</u>
<b>Treasury shares:</b>				
At beginning and end of the period/year	<u>36,667</u>	<u>11,477</u>	<u>2,274</u>	<u>894</u>
Repurchase of shares	<u>4,890</u>	<u>25,190</u>	<u>232</u>	<u>1,380</u>
Transfer of treasury shares to Share Award Scheme reserve	<u>(36,515)</u>	<u>–</u>	<u>(2,201)</u>	<u>–</u>
At end of the period/year	<u>5,042</u>	<u>36,667</u>	<u>305</u>	<u>2,274</u>

## 16. COMMITMENTS

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

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Capital expenditure in respect of the additions of leasehold improvements contracted for but not provided in the consolidated financial statements	<u>3,362</u>	<u>7,588</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30 June 2024, the Group's revenue amounted to RMB182.4 million, which mainly comprised the revenue of restaurant operations of RMB179.6 million and other revenue of RMB2.7 million (including the revenue from sales of packed goods of RMB2.7 million), representing a decrease of RMB59.9 million or 24.7% from RMB242.3 million as compared with the corresponding period of last year. The Group's gross profit amounted to RMB119.0 million, representing a decrease of approximately RMB43.4 million or 26.7% from RMB162.4 million as compared with the corresponding period of last year. During the six months ended 30 June 2024, the loss attributable to the owners of the Company was approximately RMB29.4 million, representing an increase of RMB26.3 million as compared with the corresponding period of last year.

As of 30 June 2024, the Group operated a restaurant network of 17 "Shanghai Min" restaurants, 3 "The Dining Room" restaurants, 1 "Wolfgang Puck" restaurant, which covers some of the most affluent and fast-growing cities in Mainland China (*Note(ii)*) and Hong Kong. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, for the six months ended 30 June 2024 and 2023, respectively.

	For the six months ended 30 June			
	2024		2023	
	Number of restaurants  ( <i>Note (iii)</i> )	Revenue RMB'000 ( <i>unaudited</i> )	Number of restaurants  ( <i>Note (iii)</i> )	Revenue RMB'000 ( <i>unaudited</i> )
The PRC (Mainland Area) ( <i>Note (ii)</i> )				
– Shanghai Min and Maison De L'Hui	16	135,789	24	181,220
– The Dining Room	1	9,534	2	13,035
– Other brands ( <i>Note (iv)</i> )	1	9,029	1	12,065
Hong Kong				
– Shanghai Min	1	13,671	2	16,808
– The Dining Room	2	11,614	2	13,515
Total revenue of restaurant operations ( <i>Note (ii)</i> )	21	179,637	31	236,643
Other revenue		2,742		5,625
Total Revenue		182,379		242,268

*Notes:*

- (i) Total revenue of restaurant operations includes revenue of restaurant operations and takeaway business of restaurants.
- (ii) The PRC (Mainland area), which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan.
- (iii) The number of restaurants excludes licensed Shanghai Min and The Dining Room stores.
- (iv) Other brands include Wolfgang Puck.

## **FINANCIAL REVIEW**

### **REVENUE**

Revenue of the Group decreased by RMB59.9 million or 24.7%, from RMB242.3 million for the six months ended 30 June 2023 to RMB182.4 million for the six months ended 30 June 2024.

#### **Revenue of restaurant operations**

Total revenue of restaurant operations decreased by RMB57.0 million, or 24.1% from RMB236.6 million for the six months ended 30 June 2023 to RMB179.6 million for the six months ended 30 June 2024:

- For the six months ended 30 June 2024, the revenue from newly opened restaurants increased by RMB4.0 million;
- A decrease of RMB23.5 million in revenue in comparable restaurant sales for the six months ended 30 June 2024 as compared to the six months ended 30 June 2023; and
- A decrease of RMB37.5 million in revenue as a result of a decrease in the number of stores and suspension of business due to store renovation for the six months ended 30 June 2024.

### **OTHER REVENUE**

For the six months ended 30 June 2024, other revenue amounted to RMB2.7 million, which mainly comprised income from sales of packed goods amounting to RMB2.7 million.

### **COST OF SALES**

The cost of sales decreased by RMB16.5 million, or 20.7% from RMB79.9 million for the six months ended 30 June 2023 to RMB63.4 million for the six months ended 30 June 2024.

The cost of sales as a percentage of revenue increased from 33.0% for the six months ended 30 June 2023 to 34.8% for the six months ended 30 June 2024.

## **OTHER INCOME**

Other income decreased by RMB4.9 million from RMB6.6 million for the six months ended 30 June 2023 to RMB1.7 million for the six months ended 30 June 2024, which included mainly the additional tax deduction of RMB0.8 million and management fee income of RMB0.7 million.

## **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses decreased by RMB17.7 million, or 12.3% from RMB143.5 million for the six months ended 30 June 2023 to RMB125.8 million for the six months ended 30 June 2024.

Labor expenses decreased by RMB2.6 million from RMB67.7 million for the six months ended 30 June 2023 to RMB65.1 million for the six months ended 30 June 2024. The labor costs as a percentage of revenue increased from 27.9% for the six months ended 30 June 2023 to 35.7% for the six months ended 30 June 2024.

Rental expenses and building management fees decreased by RMB4.3 million, or 28.5% from RMB15.1 million for the six months ended 30 June 2023 to RMB10.8 million for the six months ended 30 June 2024. The rental expenses and building management fees as a percentage of revenue decreased from 6.2% for the six months ended 30 June 2023 to 5.9% for the six months ended 30 June 2024.

Depreciation expenses decreased by RMB8.9 million, or 21.6% from RMB41.1 million for the six months ended 30 June 2023 to RMB32.2 million for the six months ended 30 June 2024. The depreciation expenses as a percentage of revenue increased from 17.0% for the six months ended 30 June 2023 to 17.7% for the six months ended 30 June 2024.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses decreased by RMB7.7 million, or 31.2% from RMB24.7 million for the six months ended 30 June 2023 to RMB17.0 million for the six months ended 30 June 2024.

## **OTHER GAINS AND LOSSES**

Other gains and losses amounted to a loss of RMB2.1 million for the six months ended 30 June 2024, mainly comprised of impairment loss on property and equipment of RMB2.3 million, the gain on early termination of leases of RMB4.8 million, and fair value loss of financial liabilities at FVTPL of RMB5.2 million.

## **FINANCE COSTS**

Finance costs amounted to RMB4.1 million for the six months ended 30 June 2024, representing a decrease of RMB1.8 million as compared with the same period of last year.

## INCOME TAX EXPENSE

Income tax expense decreased by RMB0.8 million from RMB1.8 million for the six months ended 30 June 2023 to RMB1.0 million for the six months ended 30 June 2024.

## LOSS FOR THE PERIOD

As a result of the foregoing reasons, the loss for the Reporting Period of the Group increased by RMB26.0 million from RMB3.4 million for the six months ended 30 June 2023 to RMB29.4 million for the six months ended 30 June 2024. Net loss margin increased from 1.4% for the six months ended 30 June 2023 to 16.1% for the six months ended 30 June 2024.

## DIVIDENDS PAYABLE

As at 30 June 2024, there were no outstanding dividends payable.

## LIQUIDITY, CAPITAL RESOURCES AND CASH FLOW

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

As at 30 June 2024, the Group's borrowings amounted to RMB19.0 million. The gearing ratio was 247.9%, and the gearing ratio was net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables, other payables and accruals, financial liabilities at FVTPL, contract liabilities and amounts due to related parties, less cash and cash equivalents and restricted bank deposits. Capital represents deficits attributable to owners of the Company.

For the six months ended 30 June 2024, the Group had net cash inflows generated from operating activities of RMB22.6 million (for the six months ended 30 June 2023: inflow of RMB43.2 million). As at 30 June 2024, the Group had RMB8.4 million in cash and cash equivalents (30 June 2023: RMB66.4 million). The following table sets out certain information regarding the consolidated cash flows for the six months ended 30 June 2024 and 30 June 2023:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Net cash from operating activities	<b>22,637</b>	43,208
Net cash (used in) from investing activities	<b>(7,877)</b>	3,228
Net cash used in financing activities	<b>(26,137)</b>	(33,077)
Net (decrease) increase in cash and cash equivalents	<b>(11,377)</b>	13,359
Cash and cash equivalents at the beginning of the period	<b>20,658</b>	52,255
Effect of foreign exchange rate changes	<b>(839)</b>	752
Cash and cash equivalents at the end of the period	<b>8,442</b>	66,366

## **OPERATING ACTIVITIES**

Net cash inflow from operating activities decreased by RMB20.6 million, from inflows of RMB43.2 million for the six months ended 30 June 2023 to inflows of RMB22.6 million for the six months ended 30 June 2024.

## **INVESTING ACTIVITIES**

For the six months ended 30 June 2024, net cash used in investing activities was RMB7.9 million, as compared with net cash from investing activities of RMB3.2 million for the same period in 2023. The investment in fixed assets for the period was approximately RMB4.3 million.

## **FINANCING ACTIVITIES**

Net cash used in financing activities decreased from RMB33.1 million for the six months ended 30 June 2023 to RMB26.1 million for the six months ended 30 June 2024. During the period, the Group had an additional loan of RMB9.0 million and proceeds from financial liabilities at FVTPL of RMB17.4 million. RMB15.0 million, RMB36.5 million and RMB5.1 million were paid for bank loans, lease liabilities and financial liabilities of FVTPL, respectively.

## **FOREIGN CURRENCY EXPOSURE**

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the six months ended 30 June 2024 and 30 June 2023 was denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

## **CAPITAL COMMITMENT**

Capital commitments were approximately RMB3.4 million and RMB7.6 million as at 30 June 2024 and 31 December 2023, respectively.

## **PLEDGE OF GROUP ASSETS**

As at 30 June 2024, the Group had no pledge of assets..

## **SIGNIFICANT INVESTMENTS**

The Group did not have any significant investments for the six months ended 30 June 2024.

## **MATERIAL ACQUISITION AND DISPOSAL**

For the six months ended 30 June 2024, there were no material acquisitions or disposals by the Group and its subsidiaries and associated companies.

### **Human resources**

As at 30 June 2024, the Group employed approximately 363 staffs in Mainland China and Hong Kong. In 2024, the Group continued to use a three-dimensional labor structure for full-time employees, hourly employees and trainees and also entered into long-term cooperation plans with a number of domestic education institutions. The Group continued to carry out a number of incentive assessment policies formulated, so as to increase the overall income of employees and to achieve the sharing of benefits between the Company and employees, as well as to improve employee work enthusiasm.

For the six months ended 30 June 2024, total staff cost was RMB72.1 million, accounting for 39.5% of the revenue (for the six months ended 30 June 2023: RMB81.6 million), which mainly comprised wages and salaries.

## **FUTURE OUTLOOK**

According to the market research conducted by the Company during the first half of 2024, while the national restaurant industry has been growing steadily, but there are significant differences in different regions and various catering segments, and customers and markets are ever-changing at an unprecedented rate.

The challenging market environment is also a benign opportunity for the Group to change and develop. In the first half of this year, while streamlining and optimizing the assets of original stores, the Group made full use of brand resources and advantages, actively expanded the site selection of new stores, and explored the business model combining new business formats with online businesses such as live retail, with a view to quickly entering the transformation channel and developing the multi-brand combined supply chain strategy, thus laying a solid foundation for future development.

## **SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

The Group did not have any significant events from 30 June 2024 and up to the date of this announcement.

## **INTERIM DIVIDEND**

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE “CG 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 principle of the Company’s corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders.

The Board has established and continued strengthening the Group’s vision, values and strategies, and ensure alignment with the Group’s culture. Such culture shall upload and continually reinforce across the organization values of acting in a lawful, ethical and responsible manner.

Optimizing value for its shareholders is the Company’s priority. The Group strives to become the leading pioneer in the industry of restaurant chain stores in Mainland China and Hong Kong. The mission of the Group is to lead the development of the industry and set the industry benchmarks. In this connection, the Group has been endeavoring to make contributions to its employees, customers, shareholders, the society and the environment in a lawful, ethical and responsible way. These purpose and values shape the Group’s strategies,

The Group’s purpose, values and strategies form the foundations of the Group’s corporate culture. The Group’s corporate culture is centered on the adherence to high ethical standards and practices, and striving for sustainable development.

The Company has adopted the CG Code as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as its own code of corporate governance. For the six months ended 30 June 2024, the Company has complied with the applicable code provisions set out in the CG Code. Ms. Wang Huili is the chairlady of the Company, and the Company has not established the position of chief executive officer.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as a code of conduct regarding directors’ transactions of securities. Following specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standard of dealings set out in the Model Code for the Reporting Period.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Save as the purchase pursuant to the Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024.

## INTERIM RESULTS REVIEW

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

As at the date of this announcement, the members of the Audit Committee comprise Mr. Leung Yiu Cho, Mr. Zhang Zhenyu and Ms. Hu Xiaoqi. Mr. Leung Yiu Cho is the chairman of the Audit Committee.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 and this announcement have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirement of Listing Rules have been complied with, in the preparation of relevant result, and sufficient disclosure have been made.

## PUBLICATION OF INTERIM REPORT

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

## APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees and business partners for their support and contribution to the Group.

By order of the Board  
**Shanghai XNG Holdings Limited**  
**WANG Huili**  
Chairlady

Shanghai, the People’s Republic of China, 30 August 2024

*As at the date of this announcement, the executive director is Ms. WANG Huili; the non-executive Director is Ms. WU Wen; and the independent non-executive Directors are Mr. LEUNG Yiu Cho, Mr. ZHANG Zhenyu and Ms. HU Xiaoqi.*