



XIAOCAIYUAN INTERNATIONAL HOLDING LTD.

Underlying Financial Statements
for the year ended December 31, 2021, 2022, and 2023
and eight months ended August 31, 2024



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**Independent auditor's report
to the directors of Xiaocaiyuan International Holding Ltd.**
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Xiaocaiyuan International Holding Ltd. (“the Company”) and its subsidiaries (“the Group”) set out on pages 4 to 59 which comprise the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023 and August 31, 2024, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 and the eight months ended August 31, 2024 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 Company’s and the Group’s financial position as at December 31, 2021, 2022 and 2023 and August 31, 2024 and of the Group’s consolidated financial performance and the Group’s consolidated cash flows for each of the years ended December 31, 2021, 2022 and 2023 and the eight months ended August 31, 2024 in accordance with the basis of preparation and presentation set out in note 1 to the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “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”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation and Presentation

We draw attention to note 1 to the consolidated financial statements, which describes the basis of preparation and presentation. The consolidated financial statements are prepared for the purpose of the preparation of a prospectus by the directors of the Company in connection with the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.



Other matter

We draw attention to the fact that consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended August 31, 2023 and any of the related notes have not been audited.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the consolidated financial statements and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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. The report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs 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.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Company 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.

KPMG Huazhen LLP

12F, Office Building of Deji Plaza
No.18 Zhongshan Road
Nanjing China

December 12, 2024

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(Expressed in Renminbi (“RMB”))

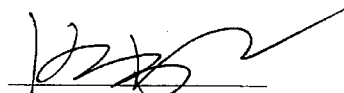
| | Note | Years ended December 31, | | | Eight months ended | |
|--|------|--------------------------|----------------|----------------|------------------------|----------------|
| | | 2021 | 2022 | 2023 | August 31, 2023 | 2024 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Revenue | 4 | 2,645,773 | 3,213,420 | 4,549,415 | 3,070,327 | 3,543,998 |
| Other revenue | 5 | 10,415 | 28,456 | 43,811 | 21,579 | 29,373 |
| Raw materials and consumables used | | (913,044) | (1,087,918) | (1,433,379) | (959,122) | (1,140,473) |
| Staff costs | 6(b) | (831,957) | (969,912) | (1,334,181) | (897,632) | (980,874) |
| Depreciation of right-of-use assets | | (146,424) | (172,306) | (196,270) | (122,031) | (168,139) |
| Other rentals and related expenses | | (51,198) | (57,418) | (58,525) | (34,990) | (63,137) |
| Depreciation and amortization of other assets | | (93,956) | (114,317) | (133,947) | (85,448) | (113,278) |
| Utility expenses | | (74,419) | (102,749) | (139,602) | (91,855) | (115,474) |
| Advertising and promotion expenses | | (8,199) | (27,048) | (48,270) | (31,857) | (43,456) |
| Delivery service expenses | | (73,650) | (185,387) | (257,886) | (166,656) | (231,084) |
| Other expenses | 6(c) | (130,772) | (148,365) | (210,575) | (124,738) | (167,722) |
| Other net income/(losses) | 6(d) | 772 | 1,640 | (4,918) | (2,156) | 19,392 |
| Finance costs | 6(a) | (24,295) | (28,321) | (31,554) | (21,910) | (27,093) |
| Profit before taxation | | 309,046 | 349,775 | 744,119 | 553,511 | 542,033 |
| Income tax | 7(a) | (81,927) | (112,201) | (212,060) | (158,678) | (141,402) |
| Profit for the year/period | | <u>227,119</u> | <u>237,574</u> | <u>532,059</u> | <u>394,833</u> | <u>400,631</u> |
| Attributable to: | | | | | | |
| Equity shareholders of the Company | | <u>227,119</u> | <u>237,574</u> | <u>532,059</u> | <u>394,833</u> | <u>400,631</u> |
| Earnings per share | | | | | | |
| Basic and diluted (RMB) | 10 | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Profit for the year/period | | <u>227,119</u> | <u>237,574</u> | <u>532,059</u> | <u>394,833</u> | <u>400,631</u> |
| Other comprehensive income for the year/period | | | | | | |
| <i>Item that will not be reclassified to profit or loss:</i> | | | | | | |
| Exchange differences on translation of financial statements of the Company | | (3) | 30 | 613 | 34 | 1,350 |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | | - | - | (1,796) | (2,315) | (368) |
| Other comprehensive income for the year/period | | <u>(3)</u> | <u>30</u> | <u>(1,183)</u> | <u>(2,281)</u> | <u>982</u> |
| Total comprehensive income for the year/period | | <u>227,116</u> | <u>237,604</u> | <u>530,876</u> | <u>392,552</u> | <u>401,613</u> |
| Attributable to: | | | | | | |
| Equity shareholders of the Company | | <u>227,116</u> | <u>237,604</u> | <u>530,876</u> | <u>392,552</u> | <u>401,613</u> |
| Total comprehensive income for the year/period | | <u>227,116</u> | <u>237,604</u> | <u>530,876</u> | <u>392,552</u> | <u>401,613</u> |

The accompanying notes form part of the consolidated financial statements.

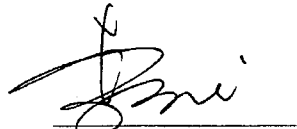
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Renminbi (“RMB”))

| | Note | As at December 31, | | | As at |
|--|-------|--------------------|------------------|------------------|------------------|
| | | 2021 | 2022 | 2023 | August 31, |
| | | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | | RMB'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 415,078 | 425,990 | 583,120 | 700,631 |
| Right-of-use assets | 12 | 520,373 | 492,656 | 694,092 | 793,344 |
| Intangible assets | 13 | 4,229 | 3,220 | 2,912 | 2,871 |
| Deferred tax assets | 24 | – | – | – | 4,601 |
| Rental deposits | | 30,656 | 30,059 | 39,765 | 46,589 |
| | | <u>970,336</u> | <u>951,925</u> | <u>1,319,889</u> | <u>1,548,036</u> |
| Current assets | | | | | |
| Inventories | 15 | 58,088 | 84,771 | 104,898 | 98,313 |
| Trade and other receivables | 16 | 125,632 | 185,439 | 270,137 | 222,819 |
| Financial assets at fair value through profit or loss (“FVPL”) | 27(e) | 19,500 | 5,000 | – | 225,572 |
| Restricted bank deposits | 17 | 6,000 | 13,000 | 25,000 | 15,000 |
| Cash and cash equivalents | 17 | 20,371 | 63,001 | 620,153 | 596,281 |
| | | <u>229,591</u> | <u>351,211</u> | <u>1,020,188</u> | <u>1,157,985</u> |
| Current liabilities | | | | | |
| Bank loans and other borrowings | 18 | 39,461 | 113,438 | 50,000 | 30,470 |
| Trade and other payables | 19 | 281,807 | 232,933 | 280,477 | 276,013 |
| Dividend payable | 26(d) | 150,000 | – | – | – |
| Contract liabilities | 20 | 48,401 | 57,803 | 67,860 | 67,918 |
| Lease liabilities | 21 | 145,099 | 154,427 | 192,171 | 218,046 |
| Current taxation | 24(a) | 32,940 | 24,087 | 70,526 | 61,932 |
| | | <u>697,708</u> | <u>582,688</u> | <u>661,034</u> | <u>654,379</u> |
| Net current (liabilities)/assets | | <u>(468,117)</u> | <u>(231,477)</u> | <u>359,154</u> | <u>503,606</u> |
| Total assets less current liabilities | | <u>502,219</u> | <u>720,448</u> | <u>1,679,043</u> | <u>2,051,642</u> |
| Non-current liabilities | | | | | |
| Lease liabilities | 21 | 377,132 | 352,307 | 518,960 | 608,563 |
| Provisions | 22 | 18,115 | 20,135 | 24,962 | 27,975 |
| Deferred tax liabilities | 24(b) | 4,466 | 23,116 | 10,137 | – |
| Redemption liability | 25 | – | – | 413,242 | 535,685 |
| Derivative financial instruments | 25 | – | – | 88,650 | 66,700 |
| | | <u>399,713</u> | <u>395,558</u> | <u>1,055,951</u> | <u>1,238,923</u> |
| NET ASSETS | | <u>102,506</u> | <u>324,890</u> | <u>623,092</u> | <u>812,719</u> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 26(a) | 322 | 322 | 64 | 64 |
| Reserves | | 102,184 | 324,568 | 623,028 | 812,655 |
| TOTAL EQUITY | | <u>102,506</u> | <u>324,890</u> | <u>623,092</u> | <u>812,719</u> |

Approved and authorized for issue by the Board of Directors on December 12, 2024.



Wang Shugao
Chairman of the Board, executive Director and general manager

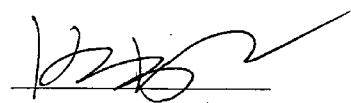


Li Daoqing
Executive Director and vice general manager

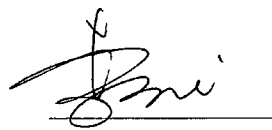
STATEMENTS OF FINANCIAL POSITION OF THE COMPANY
(Expressed in Renminbi (“RMB”))

| | | As at December 31, | | | As at |
|--------------------------------------|------|--------------------|-------------------|-------------------------|-------------------------|
| | Note | 2021 | 2022 | 2023 | August 31, |
| | | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | | RMB'000 |
| Non-current assets | | | | | |
| Trade and other receivables | 16 | 319 | 348 | 71 | 71 |
| Investment in subsidiaries | 14 | — | — | 53,421 | 53,646 |
| | | <u>319</u> | <u>348</u> | <u>53,492</u> | <u>53,717</u> |
| Current assets | | | | | |
| Trade and other receivables | 16 | — | — | 1,499 | 6,418 |
| Cash and cash equivalents | 17 | — | — | 350,756 | 456,930 |
| | | <u>—</u> | <u>—</u> | <u>352,255</u> | <u>463,348</u> |
| Current liability | | | | | |
| Trade and other payables | 19 | — | — | 9,992 | 23,076 |
| Net current assets | | <u>—</u> | <u>—</u> | <u>342,263</u> | <u>440,272</u> |
| Non-current liability | | | | | |
| Redemption liability | 25 | — | — | 413,242 | 535,685 |
| Derivative financial instruments | 25 | — | — | 88,650 | 66,700 |
| | | <u>—</u> | <u>—</u> | <u>501,892</u> | <u>602,385</u> |
| NET ASSETS/ (LIABILITIES) | | <u><u>319</u></u> | <u><u>348</u></u> | <u><u>(106,137)</u></u> | <u><u>(108,396)</u></u> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | | 322 | 322 | 64 | 64 |
| Reserves | | (3) | 26 | (106,201) | (108,460) |
| TOTAL EQUITY/(DEFICIT) | | <u><u>319</u></u> | <u><u>348</u></u> | <u><u>(106,137)</u></u> | <u><u>(108,396)</u></u> |

Approved and authorized for issue by the Board of Directors on December 12, 2024.



Wang Shugao
Chairman of the Board, executive Director and general manager



Li Daoqing
Executive Director and vice general manager

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Renminbi ("RMB"))

| | Note | Share capital RMB'000 26(a) | Capital reserve RMB'000 26(c)(i) | Share-based payments reserve RMB'000 26(c)(ii) | Exchange reserve RMB'000 | Statutory surplus reserve RMB'000 26(c)(iii) | (Accumulated losses)/ retained profits RMB'000 | Total equity RMB'000 |
|---|------------|-----------------------------------|---|--|--------------------------------|--|--|-------------------------|
| Balance at January 1, 2021 | | - | 20,000 | 224,856 | - | 10,115 | (216,314) | 38,657 |
| Changes in equity for 2021: | | | | | | | | |
| Profit for the year | | - | - | - | - | - | 227,119 | 227,119 |
| Other comprehensive income | | - | - | - | (3) | - | - | (3) |
| Total comprehensive income | | - | - | - | (3) | - | 227,119 | 227,116 |
| Issuance of new shares | 26(a) | 322 | - | - | - | - | - | 322 |
| Appropriation to statutory reserve | 26(c)(iii) | - | - | - | - | 3,267 | (3,267) | - |
| Equity settled share-based transactions | 26(c)(ii) | - | - | 6,451 | - | - | - | 6,451 |
| Dividends declared | 26(d) | - | - | - | - | - | (150,000) | (150,000) |
| Capital injection from an investor | 26(c)(i) | - | 1,015 | - | - | - | - | 1,015 |
| Reorganization | 26(c)(i) | - | (21,015) | - | - | - | (40) | (21,055) |
| Balance at December 31, 2021 | | 322 | - | 231,307 | (3) | 13,382 | (142,502) | 102,506 |
| Balance at January 1, 2022 | | 322 | - | 231,307 | (3) | 13,382 | (142,502) | 102,506 |
| Changes in equity for 2022: | | | | | | | | |
| Profit for the year | | - | - | - | - | - | 237,574 | 237,574 |
| Other comprehensive income | | - | - | - | 30 | - | - | 30 |
| Total comprehensive income | | - | - | - | 30 | - | 237,574 | 237,604 |
| Appropriation to statutory reserve | 26(c)(iii) | - | - | - | - | 20,916 | (20,916) | - |
| Other distribution | 26(e) | - | - | - | - | - | (15,220) | (15,220) |
| Balance at December 31, 2022 | | 322 | - | 231,307 | 27 | 34,298 | 58,936 | 324,890 |

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(Expressed in Renminbi ("RMB"))

| Note | Share capital RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Share-based payments reserve RMB'000 | Exchange reserve RMB'000 | Statutory surplus reserve RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
|---|--------------------------|----------------------------|--------------------------|---|--------------------------------|---|-----------------------------|-------------------------|
| | | | | | | | | |
| Balance at January 1, 2023 | 322 | - | - | 231,307 | 27 | 34,298 | 58,936 | 324,890 |
| Changes in equity for year ended 2023: | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | 532,059 | 532,059 |
| Other comprehensive income | - | - | - | - | (1,183) | - | - | (1,183) |
| Total comprehensive income | - | - | - | - | (1,183) | - | 532,059 | 530,876 |
| Appropriation to statutory reserve | - | - | - | - | - | 25,219 | (25,219) | - |
| Dividends declared | - | - | - | - | - | - | (135,276) | (135,276) |
| Financial instruments issued to an investor | - | - | (97,140) | - | - | - | - | (97,140) |
| Repurchase of shares | (258) | - | - | - | - | - | - | (258) |
| Balance at December 31, 2023 | 64 | - | (97,140) | 231,307 | (1,156) | 59,517 | 430,500 | 623,092 |

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(Expressed in Renminbi ("RMB"))

| | Share capital RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Share-based payments reserve RMB'000 | Exchange reserve RMB'000 | Statutory surplus reserve RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
|--|--------------------------|----------------------------|--------------------------|---|--------------------------------|---|-----------------------------|-------------------------|
| <i>Note</i> | | | | | | | | |
| | 26(a) | 26(c)(i) | 26(c)(iv) | 26(c)(ii) | | 26(c)(iii) | 26(e) | |
| Balance at January 1, 2024 | 64 | - | (97,140) | 231,307 | (1,156) | 59,517 | 430,500 | 623,092 |
| Changes in equity for eight months ended August 31, 2024: | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 400,631 | 400,631 |
| Other comprehensive income | - | - | - | - | 982 | - | - | 982 |
| Total comprehensive income | - | - | - | - | 982 | - | 400,631 | 401,613 |
| Appropriation to statutory reserve | - | - | - | - | - | 6,288 | (6,288) | - |
| Dividends declared | - | - | - | - | - | - | (187,500) | (187,500) |
| Financial instruments issued to an investor | - | - | (24,486) | - | - | - | - | (24,486) |
| Balance at August 31, 2024 | 64 | - | (121,626) | 231,307 | (174) | 65,805 | 637,343 | 812,719 |

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
(Expressed in Renminbi ("RMB"))

(unaudited)

| Note | Share capital RMB'000 | Capital reserve RMB'000 | Other reserve RMB'000 | Share-based payments reserve RMB'000 | Exchange reserve RMB'000 | Statutory surplus reserve RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
|--|--------------------------|----------------------------|--------------------------|---|--------------------------------|---|-----------------------------|-------------------------|
| | | | | | | | | |
| Balance at January 1, 2023 | 322 | - | - | 231,307 | 27 | 34,298 | 58,936 | 324,890 |
| Changes in equity for eight months ended August 31, 2023: | | | | | | | | |
| Profit for the period | - | - | - | - | - | - | 394,833 | 394,833 |
| Other comprehensive income | - | - | - | - | (2,281) | - | - | (2,281) |
| Total comprehensive income | - | - | - | - | (2,281) | - | 394,833 | 392,552 |
| Appropriation to statutory reserve | - | - | - | - | - | 10,194 | (10,194) | - |
| Dividends declared | - | - | - | - | - | - | (135,276) | (135,276) |
| Repurchase of shares | (258) | - | - | - | - | - | - | (258) |
| Balance at August 31, 2023 | 64 | - | - | 231,307 | (2,254) | 44,492 | 308,299 | 581,908 |

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi (“RMB”))

| | Note | Years ended December 31, | | | Eight months ended | |
|---|-------|--------------------------|-----------------|------------------|--------------------|------------------|
| | | 2021 | 2022 | 2023 | August 31, | 2024 |
| | | RMB'000 | RMB'000 | RMB'000 | 2023 | 2024 |
| | | | | | RMB'000 | RMB'000 |
| | | | | | (unaudited) | |
| Operating activities | | | | | | |
| Cash generated from operations | 17(b) | 399,898 | 536,536 | 1,044,939 | 835,034 | 860,218 |
| Income tax paid | 24 | (78,742) | (102,404) | (178,600) | (143,901) | (164,734) |
| Net cash generated from operating activities | | <u>321,156</u> | <u>434,132</u> | <u>866,339</u> | <u>691,133</u> | <u>695,484</u> |
| Investing activities | | | | | | |
| Payment for the purchase of property, plant and equipment | | (169,884) | (94,283) | (309,160) | (221,981) | (247,153) |
| Payment for purchase of intangible assets | | (1,155) | (1,981) | (1,358) | (612) | (793) |
| (Payment for purchase)/proceeds from disposal of financial assets measured at FVPL, net | | (19,500) | 14,500 | 5,000 | (74,000) | (225,000) |
| Investment income received | | 333 | 1,761 | 2,556 | 1,461 | 1,522 |
| Payment for provisions | | – | – | (59) | (59) | – |
| Interest income received | | 91 | 189 | 7,286 | 3,462 | 15,180 |
| Net cash used in investing activities | | <u>(190,115)</u> | <u>(79,814)</u> | <u>(295,735)</u> | <u>(291,729)</u> | <u>(456,244)</u> |
| Financing activities | | | | | | |
| Proceeds from bank loans and other borrowings | 17(c) | 38,000 | 123,500 | 50,000 | 31,900 | – |
| Repayment of bank loans and other borrowings | 17(c) | (16,383) | (49,523) | (113,438) | (45,000) | (20,000) |
| Proceeds from financial instruments issued to an investor | 17(c) | – | – | 400,000 | 150,000 | 100,000 |
| Payment of the redemption liability | 17(c) | – | – | – | – | (3,149) |
| Payment of capital element of lease liabilities | 17(c) | (116,506) | (150,353) | (172,068) | (97,065) | (136,007) |
| Payment of interest element of lease liabilities | 17(c) | (22,191) | (24,504) | (28,218) | (19,665) | (25,780) |
| Advances from related parties | 17(c) | 12,200 | 28,312 | – | – | – |
| Repayments of advances from related parties | 17(c) | (6,468) | (58,144) | – | – | – |
| Capital injection from an investor | | 1,015 | – | – | – | – |
| Payment arising from Reorganisation | | – | (21,055) | – | – | – |
| Interest expenses of bank loans paid | 17(c) | (1,379) | (2,921) | (2,299) | (1,594) | – |
| Placements of restricted bank deposits | | (6,000) | (13,000) | (30,200) | (15,200) | – |
| Withdrawal of restricted bank deposits | | – | 6,000 | 18,200 | 2,000 | 10,000 |
| Payment of listing expenses | 17(c) | – | – | (833) | – | (1,113) |
| Dividends paid | 17(c) | – | (150,000) | (135,276) | (135,276) | (187,500) |

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

(Expressed in Renminbi (“RMB”))

| | Note | Years ended December 31, | | | Eight months ended | |
|--|-------|--------------------------|-----------|----------|--------------------|-----------|
| | | 2021 | 2022 | 2023 | 2023 | 2024 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Net cash used in financing activities | | (117,712) | (311,688) | (14,132) | (129,900) | (263,549) |
| Net increase/(decrease) in cash and cash equivalents | | 13,329 | 42,630 | 556,472 | 269,504 | (24,309) |
| Cash and cash equivalents at January 1 | 17(a) | 7,042 | 20,371 | 63,001 | 63,001 | 620,153 |
| Effect of foreign exchange rate changes | | — | — | 680 | 672 | 437 |
| Cash and cash equivalents at December 31/August 31 | 17(a) | 20,371 | 63,001 | 620,153 | 333,177 | 596,281 |

The accompanying notes form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Xiaocaiyuan International Holding Ltd. (the “Company”) was incorporated in the Cayman Islands on October 19, 2021 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business operations since the date of its incorporation save for the group reorganization (“Reorganization”) as described below and detailed in the section headed “History, Reorganization and Corporate Structure” in the the prospectus of the Company dated December 12, 2024 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. For each of the years ended December 31, 2021, 2022 and 2023 and the eight months ended August 31, 2024 (the “Track Record Period”), the Company and its subsidiaries (together, the “Group”) are principally engaged in restaurant operations, catering delivery services and supply chain management (the “Listing Business”) in the People’s Republic of China (the “PRC”). Details of the Group’s subsidiaries are set out in Note 14.

Prior to the Reorganization, the Listing Business was carried out by Anhui Xiaocaiyuan Catering Management Company Limited (“Xiaocaiyuan Catering”) and Anhui Hongjingxuan Supply Chain Management Company Limited (“Anhui Hongjingxuan”), which were wholly owned by Anhui Xiaocaiyuan Holding Company Limited (“Anhui Xiaocaiyuan Holding”). To rationalise the corporate structure in preparation of the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group underwent the Reorganization. The Company, through its wholly-owned subsidiary, Anhui Xiaocaiyuan Catering Holdings Company Limited (the “Xiaocaiyuan Catering Holdings”), acquired entire equity interests of Xiaocaiyuan Catering. Meanwhile, the Company through another wholly-owned subsidiary, Anhui Xiaocaiyuan Supply Chain Company Limited, acquired the supply chain activities of Anhui Hongjingxuan. Upon completion of the Reorganization, the Company became the holding company of the Listing Business carried out by the above-mentioned entities now comprising the Group.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period as set out in the consolidated financial statements include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023 and August 31, 2024 as set out in the consolidated financial statements have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full in preparing the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). As the Group’s first consolidated financial statements prepared in accordance with IFRS Accounting Standards, IFRS 1 “First-time Adoption of International Financial Reporting Standards” has been applied save for certain presentation and disclosure provisions therein. The date of transition to IFRS Accounting Standards was 1 January 2021. Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this consolidated financial statements, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2024. The Group has not applied any new standard or interpretation that is not yet effective during the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective are set out in Note 31.

The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The stub period corresponding financial information of the Group comprises the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the eight months ended August 31, 2023 and other explanatory information (the “Stub Period Corresponding Financial Information”). The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the consolidated financial statements.

The consolidated financial statements and the Stub Period Corresponding Financial Information are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that financial assets and financial liabilities are stated at their fair value as explained in the accounting policies set out below:

- Other investments in securities (see Note 2 (e))
- Convertible bonds and derivative financial instruments (see Note 2 (w)).

(b) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)).

(d) Business combination involving entities under common control

The consolidated financial statements incorporates the financial information items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholder.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognized in the respective controlling shareholder's financial statements.

The consolidated statements of profit or loss and comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been consolidated at the earliest balance sheet date presented or when they first came under common control, whichever is later.

(e) Other investments in securities

Investments in debt securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 27(e). These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(s)(ii)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | |
|-----------------------------------|--|
| - Leasehold improvements | Over the shorter of the lease term or the estimated useful life of the asset |
| - Buildings | 20 years |
| - Kitchen equipment | 5 years |
| - Electronic equipment and others | 1 – 5 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents properties under construction and machinery and equipment pending installation and is stated at cost less impairment losses (see Note 2(i)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation policies specified above.

No depreciation is provided in respect of construction in progress.

(g) Intangible assets

Intangible assets, including software and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses (see Note 2(i)(ii)).

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|--------------|-----------|
| – Software | 3-5 years |
| – Trademarks | 10 years |

Software is stated at cost less any impairment losses and is amortized on the straight-line basis over the estimated useful life of 3-5 years. The useful lives of the software are assessed by the Group after considering the contractual term, the current functionality equipped by the software, using plan and operation needs of software.

Trademarks are stated at cost less any impairment losses and are amortized on the straight-line basis over the estimated useful life of 10 years. The useful lives of the trademarks are assessed by the Group after considering the remaining period of economic benefits to be derived. The estimation of the useful lives has taken into account the granted validity period and the iteration cycle of trademarks.

Both the period and method of amortization are reviewed annually.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily apartments and kitchen equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortized cost (see Note 2(e)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognized the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) **Credit losses and impairment of assets**

(i) ***Credit losses from financial instruments and contract assets***

The Group recognizes a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortized cost (including cash, restricted bank deposits, time deposits, trade and other receivables).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the financial asset is 90 days past due. 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 since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with Note 2(s)(ii) 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 the amortized cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- intangible assets; and
- investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognized.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realizable value.

Cost of inventories are calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(k) Contract assets and contract liabilities

A contract asset is recognized when the Group recognized revenue (see Note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(l)).

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(s)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see Note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)(ii)).

(l) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost, using the effective interest method and including an allowance for credit losses (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions. Cash are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see Note 2(u)).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognized as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognized as an expense.

(ii) Share-based payments

The fair value of share granted to employees is recognized as an employee cost with a corresponding increase in a share-based payment reserve within equity. The fair value is measured at grant date using income approach model, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognized in prior periods is charged/credited to the profit or loss for the period of the review. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the share-based payments reserve).

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences.

- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

The Group recognized deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods or the provision of services.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group principally generates revenue from restaurant operations and delivery business. Revenue excludes value added tax or other sales taxes and is after deduction of other sales taxes or any trade discounts.

For restaurant operations and delivery business for which the control of services is transferred at a point in time, revenue is recognized when the related services have been rendered to customers.

(ii) Interest income

Interest income is recognized as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income at fair value and then recognized in profit or loss as other income on a systematic basis over the useful life of the asset.

(t) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognized.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of the Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Financial instruments issued to an investor

(i) Convertible bonds

The Group designated its convertible bonds at fair value through profit or loss on initial recognition. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of profit or loss and other comprehensive income. Subsequent to initial recognition, the convertible bonds are carried at fair value with changes in fair value recognized in the profit or loss except for the portion attributed to its own credit risk which is presented in other comprehensive income.

(ii) Derivative financial instruments

Derivative financial instruments represent a compensation right that are recognized at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(iii) Redemption liability

Preferred shares give rise to financial liabilities if they are redeemable at the option of the preferred shareholders upon occurrence of events that are beyond the control of both the Company and the preferred shareholders. At initial recognition, such financial liabilities are measured at the present value of the redemption price, which represents the settlement that would be triggered by the event with the highest settlement outcome, and may change from time to time. Changes in the carrying amount of the financial liabilities are recognized in profit or loss. If the preferred shares are converted into ordinary shares, the carrying amount of the financial liabilities is transferred to equity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

Note 27(e) contains information about the assumptions and its risk factors relating to valuation of derivative financial instrument.

Other significant sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

(i) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(ii) Impairment of property, plant and equipment, right-of-use assets and intangible assets

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may be impaired. If any such indication exists, the recoverable amount of the property, plant and equipment, right-of-use assets and intangible assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(iii) Provision for restoration costs

As explained in Note 22, the Group makes provision for restoration costs based on the best estimate of the expected costs to be incurred upon expiry of the respective tenancy agreements, which are subject to uncertainty and might differ from the actual costs incurred. Any increase or decrease in the provision would affect profit or loss in future periods.

(iv) **Depreciation and amortization**

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation or amortization expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

4 REVENUE AND SEGMENT REPORTING

(a) **Revenue**

The principal activities of the Group are restaurant operations and delivery business in the PRC.

(i) *Disaggregation of revenue*

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

| | Years ended December 31, | | | Eight months ended August 31, | |
|--|--------------------------|------------------|------------------|-------------------------------|------------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Revenue from contracts with customers within the scope of IFRS15: | | | | | |
| - Restaurant operations | 2,235,184 | 2,183,409 | 3,051,094 | 2,112,683 | 2,222,341 |
| - Delivery business | 409,518 | 1,029,539 | 1,491,354 | 953,346 | 1,313,025 |
| - Others | 1,071 | 472 | 6,967 | 4,298 | 8,632 |
| | <u>2,645,773</u> | <u>3,213,420</u> | <u>4,549,415</u> | <u>3,070,327</u> | <u>3,543,998</u> |
| Disaggregated by timing of revenue recognition | | | | | |
| - Point in time | <u>2,645,773</u> | <u>3,213,420</u> | <u>4,549,415</u> | <u>3,070,327</u> | <u>3,543,998</u> |

No revenue from individual customer contributed over 10% of total revenue of the Group for the Track Record Period.

(ii) *Revenue expected to be recognized in the future arising from contracts in existence at the reporting date*

As at December 31, 2021, 2022 and 2023 and August 31, 2024, the Group has applied the practical expedient in paragraph 121 of IFRS 15 to its contracts for rendering service such that information about revenue expected to be recognized in the future is not disclosed in respect of revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for rendering service that had an expected duration of one year or less.

(b) **Segment reporting**

The directors of the Company have been identified as the Group's most senior executive management. The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group has one operating segment, which is restaurant operations and delivery business. The Group's most senior executive management reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

As substantially all of the Group's operations and assets are in the PRC, no geographic information is presented.

5 OTHER REVENUE

| | Years ended December 31, | | | Eight months ended | |
|---|--------------------------|---------------|---------------|--------------------|---------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| <i>Other revenue</i> | | | | | |
| Interest income on: | | | | | |
| – bank deposits | 91 | 189 | 7,286 | 3,462 | 15,180 |
| – rental deposits | 1,144 | 1,512 | 1,736 | 985 | 1,582 |
| | <u>1,235</u> | <u>1,701</u> | <u>9,022</u> | <u>4,447</u> | <u>16,762</u> |
| Investment income on wealth management products | 333 | 1,761 | 2,556 | 1,461 | 1,522 |
| Changes in fair value of wealth management products | – | – | – | 308 | 572 |
| Government grants (<i>Note</i>) | 8,847 | 24,994 | 32,233 | 15,363 | 10,517 |
| | <u>10,415</u> | <u>28,456</u> | <u>43,811</u> | <u>21,579</u> | <u>29,373</u> |

Note: Government grants mainly represent additional deduction and exemption on value-added tax and various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

| | Years ended December 31, | | | Eight months ended | |
|-------------------------------|--------------------------|---------------|---------------|--------------------|---------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Interest on bank loans | 1,379 | 2,921 | 2,299 | 1,594 | 470 |
| Interest on lease liabilities | 22,191 | 24,504 | 28,218 | 19,665 | 25,780 |
| Interest on provisions | 725 | 896 | 1,037 | 651 | 843 |
| | <u>24,295</u> | <u>28,321</u> | <u>31,554</u> | <u>21,910</u> | <u>27,093</u> |

(b) Staff costs

| | Years ended December 31, | | | Eight months ended | |
|--|--------------------------|----------------|------------------|--------------------|----------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Salaries, wages and other benefits | 797,911 | 940,773 | 1,303,795 | 878,451 | 958,898 |
| Contributions to defined contribution retirement plan (<i>i</i>) | 27,595 | 29,139 | 30,386 | 19,181 | 21,976 |
| Equity-settled share-based payment expenses | 6,451 | – | – | – | – |
| | <u>831,957</u> | <u>969,912</u> | <u>1,334,181</u> | <u>897,632</u> | <u>980,874</u> |

Note:

- (i) The employees of the subsidiaries of the Group established in the PRC participate in a defined contribution scheme managed by the local municipal governments, whereby these companies are required to contribute to the scheme at certain rates of the employees' salaries as agreed by the local municipal governments. Employees of these companies are entitled to benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

The Group has no further obligation for payment of other retirement benefits beyond the above contributions.

(c) Other expenses

| | Years ended December 31, | | | Eight months ended | |
|--|--------------------------|----------------|----------------|--------------------|----------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Property management expenses | 71,690 | 84,705 | 104,768 | 65,330 | 87,445 |
| Transportation and related expenses | 12,626 | 16,394 | 25,563 | 16,125 | 21,533 |
| Administrative expenses | 8,031 | 8,971 | 15,613 | 9,625 | 8,148 |
| Professional service expenses | 6,409 | 5,291 | 8,390 | 3,874 | 6,198 |
| Listing expenses | – | – | 8,493 | – | 11,959 |
| Cleaning fees | 5,948 | 8,744 | 14,870 | 9,265 | 9,531 |
| Taxes and surcharges | 5,430 | 8,802 | 9,184 | 6,779 | 8,484 |
| Business development expenses | 5,262 | 3,388 | 4,450 | 2,198 | 3,632 |
| Impairment losses of property, plant and equipment and right-of-use assets | 334 | 977 | 658 | 712 | 1,781 |
| Others | 15,042 | 11,093 | 18,586 | 10,830 | 9,011 |
| | <u>130,772</u> | <u>148,365</u> | <u>210,575</u> | <u>124,738</u> | <u>167,722</u> |

(d) Other net (income)/losses

| | Years ended December 31, | | | Eight months ended | |
|---|--------------------------|----------------|--------------|--------------------|-----------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Net losses on disposal of property, plant and equipment and right-of-use assets | 467 | 3,284 | 4,465 | 1,080 | 3,794 |
| COVID-19-Related rent concessions received | (1,862) | (3,617) | – | – | – |
| Changes in carrying amount of the redemption liability | – | – | 1,699 | – | 26,148 |
| Changes in fair value of the convertible bonds and derivative financial instruments | – | – | 3,733 | 4,141 | (46,437) |
| Exchange gains | – | – | (1,988) | – | (327) |
| Other losses/(income) | 623 | (1,307) | (2,991) | (3,065) | (2,570) |
| | <u>(772)</u> | <u>(1,640)</u> | <u>4,918</u> | <u>2,156</u> | <u>(19,392)</u> |

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

| | Years ended December 31, | | | Eight months ended August 31, | |
|--|--------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2023 RMB'000 (unaudited) | 2024 RMB'000 |
| Current tax | | | | | |
| Provision for the year/period | 80,591 | 93,551 | 210,008 | 143,857 | 135,307 |
| | <u>80,591</u> | <u>93,551</u> | <u>210,008</u> | <u>143,857</u> | <u>135,307</u> |
| Deferred tax | | | | | |
| Origination and reversal of tax losses and temporary differences | 1,336 | 18,650 | 2,052 | 14,821 | 6,095 |
| | <u>81,927</u> | <u>112,201</u> | <u>212,060</u> | <u>158,678</u> | <u>141,402</u> |

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

| | Years ended December 31, | | | Eight months ended August 31, | |
|---|--------------------------|-----------------|-----------------|--------------------------------|-----------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2023 RMB'000 (unaudited) | 2024 RMB'000 |
| Profit before taxation | <u>309,046</u> | <u>349,775</u> | <u>744,119</u> | <u>553,511</u> | <u>542,033</u> |
| Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned (Note i, ii, iii) | 77,261 | 87,446 | 187,291 | 137,672 | 124,045 |
| Tax benefit of subsidiaries subject to preferential tax rates (Note iii) | (1,566) | (405) | (383) | (356) | (500) |
| Tax effect of non-deductible expenses | 6,167 | 6,819 | 4,855 | 3,911 | 2,324 |
| Tax effect of unused tax losses not recognized | 105 | 3,310 | 774 | 86 | 1,786 |
| Tax effect of utilization of tax losses not recognized in previous years | (40) | – | (1,310) | (1,302) | (253) |
| PRC dividend withholding tax | – | 15,031 | 20,833 | 18,667 | 14,000 |
| Actual tax expenses | <u>81,927</u> | <u>112,201</u> | <u>212,060</u> | <u>158,678</u> | <u>141,402</u> |

Notes:

- (i) Pursuant to the tax rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The applicable profits tax rate of the Group's subsidiaries incorporated in Hong Kong was 16.5% for the Track Record Period. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%.

The subsidiaries in Hong Kong of the Group did not have any assessable profits for the Track Record Period.

- (iii) Taxable income for the subsidiaries of the Company in the PRC are subject to PRC income tax rate of 25% for the Track Record Period, unless otherwise specified below.

For the years ended December 31, 2021 and 2022, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1,000,000, 10% and 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000 for the year ended December 31, 2021 and December 31, 2022 respectively.

For the year ended December 31, 2023 and the eight months ended August 31, 2024, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income for the first RMB1,000,000 and 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments as recorded in the consolidated financial statements are as follows:

For the year ended December 31, 2021

| | Directors' fee | Salaries, allowances and benefits | Discretionary bonuses | Retirement scheme contributions | Sub-Total | Share-based payments | Total |
|--|----------------|-----------------------------------|-----------------------|---------------------------------|-----------|----------------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Chairman and executive director | | | | | | | |
| Mr. Wang Shugao | – | 547 | – | 17 | 564 | – | 564 |
| Executive directors | | | | | | | |
| Mr. Li Daoqing | – | 520 | – | 17 | 537 | – | 537 |
| Mr. Tian Chunyong | – | 536 | – | 17 | 553 | – | 553 |
| Mr. Zhou Bin | – | 641 | – | 17 | 658 | – | 658 |
| Ms. Wang Weifang | – | 621 | – | 17 | 638 | – | 638 |
| Mr. Tao Xu'an | – | 617 | – | 17 | 634 | – | 634 |
| | – | 3,482 | – | 102 | 3,584 | – | 3,584 |

For the year ended December 31, 2022

| | Directors' fee | Salaries, allowances and benefits | Discretionary bonuses | Retirement scheme contributions | Sub-Total | Share-based payments | Total |
|--|----------------|-----------------------------------|-----------------------|---------------------------------|-----------|----------------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Chairman and executive director | | | | | | | |
| Mr. Wang Shugao | – | 779 | – | 17 | 796 | – | 796 |
| Executive directors | | | | | | | |
| Mr. Li Daoqing | – | 779 | – | 19 | 798 | – | 798 |
| Mr. Tian Chunyong | – | 694 | – | 19 | 713 | – | 713 |
| Mr. Zhou Bin | – | 901 | – | 17 | 918 | – | 918 |
| Ms. Wang Weifang | – | 1,141 | – | 17 | 1,158 | – | 1,158 |
| Mr. Tao Xu'an | – | 1,172 | – | 19 | 1,191 | – | 1,191 |
| | – | 5,466 | – | 108 | 5,574 | – | 5,574 |

For the year ended December 31, 2023

| | Directors' fee RMB'000 | Salaries, allowances and benefits RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Sub-Total RMB'000 | Share-based payments RMB'000 | Total RMB'000 |
|--|---------------------------|--|----------------------------------|--|----------------------|---------------------------------|------------------|
| Chairman and executive director | | | | | | | |
| Mr. Wang Shugao | - | 537 | - | 17 | 554 | - | 554 |
| Executive directors | | | | | | | |
| Mr. Li Daoqing | - | 562 | - | 19 | 581 | - | 581 |
| Mr. Tian Chunyong | - | 542 | - | 19 | 561 | - | 561 |
| Mr. Zhou Bin | - | 695 | - | 20 | 715 | - | 715 |
| Ms. Wang Weifang | - | 665 | - | 17 | 682 | - | 682 |
| Mr. Tao Xu'an | - | 688 | - | 19 | 707 | - | 707 |
| | - | 3,689 | - | 111 | 3,800 | - | 3,800 |

For the eight months ended August 31, 2023 (unaudited)

| | Directors' fee RMB'000 | Salaries, allowances and benefits RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Sub-Total RMB'000 | Share-based payments RMB'000 | Total RMB'000 |
|--|---------------------------|--|----------------------------------|--|----------------------|---------------------------------|------------------|
| Chairman and executive director | | | | | | | |
| Mr. Wang Shugao | - | 385 | - | 12 | 397 | - | 397 |
| Executive directors | | | | | | | |
| Mr. Li Daoqing | - | 401 | - | 13 | 414 | - | 414 |
| Mr. Tian Chunyong | - | 399 | - | 13 | 412 | - | 412 |
| Mr. Zhou Bin | - | 459 | - | 15 | 474 | - | 474 |
| Ms. Wang Weifang | - | 443 | - | 12 | 455 | - | 455 |
| Mr. Tao Xu'an | - | 353 | - | 13 | 366 | - | 366 |
| | - | 2,440 | - | 78 | 2,518 | - | 2,518 |

For the eight months ended August 31, 2024

| | Directors' fee RMB'000 | Salaries, allowances and benefits RMB'000 | Discretionary bonuses RMB'000 | Retirement scheme contributions RMB'000 | Sub-Total RMB'000 | Share-based payments RMB'000 | Total RMB'000 |
|--|---------------------------|--|----------------------------------|--|----------------------|---------------------------------|------------------|
| Chairman and executive director | | | | | | | |
| Mr. Wang Shugao | - | 252 | - | 12 | 264 | - | 264 |
| Executive directors | | | | | | | |
| Mr. Li Daoqing | - | 305 | - | 13 | 318 | - | 318 |
| Mr. Tian Chunyong | - | 323 | - | 13 | 336 | - | 336 |
| Mr. Zhou Bin | - | 329 | - | 24 | 353 | - | 353 |
| Ms. Wang Weifang | - | 270 | - | 12 | 282 | - | 282 |
| Mr. Tao Xu'an | - | 323 | - | 13 | 336 | - | 336 |
| | - | 1,802 | - | 87 | 1,889 | - | 1,889 |

During the Track Record Period, no director has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four, four, three, two (unaudited) and one are directors whose emoluments are disclosed in Note 8 during the years ended December 31, 2021, 2022 and 2023 and the eight months ended August 31, 2023 and 2024, respectively. The aggregate of the emoluments in respect of the paid amount to remaining individuals are as follows:

| | Years ended December 31, | | | Eight months ended August 31, | |
|---------------------------------|--------------------------|------------|--------------|-------------------------------|--------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Salaries and other emoluments | 603 | 905 | 1,381 | 1,290 | 1,598 |
| Retirement scheme contributions | 17 | 17 | 36 | 36 | 55 |
| | <u>620</u> | <u>922</u> | <u>1,417</u> | <u>1,326</u> | <u>1,653</u> |

The emoluments of the one, one, two, three (unaudited) and four individuals with the highest emoluments are within the following bands:

| | Years ended December 31, | | | Eight months ended August 31, | |
|------------------------------|--------------------------|-----------------------|-----------------------|-------------------------------|-----------------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | Number of individuals | Number of individuals | Number of individuals | Number of individuals | Number of individuals |
| Hong Kong Dollar ("HKD") | | | | | |
| Nil to HKD1,000,000 | 1 | - | 2 | 3 | 4 |
| HKD1,000,001 to HKD1,500,000 | - | 1 | - | - | - |

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of preparation and presentation set out in Note 1.

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount of property, plant and equipment

| | Buildings | Kitchen equipment | Electronic equipment and others | Construction in progress | Leasehold improvements | Total |
|--|-----------|-------------------|---------------------------------|--------------------------|------------------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost: | | | | | | |
| At January 1, 2021 | 14,318 | 62,148 | 45,755 | 11,510 | 230,737 | 364,468 |
| Additions | - | 11,259 | 1,934 | 85,778 | 108,117 | 207,088 |
| Transfer from construction in progress | - | 30,775 | 9,838 | (40,613) | - | - |
| Disposals | - | (1,219) | (451) | - | (2,990) | (4,660) |

| | Buildings RMB'000 | Kitchen equipment RMB'000 | Electronic equipment and others RMB'000 | Construction in progress RMB'000 | Leasehold improvements RMB'000 | Total RMB'000 |
|---|----------------------|---------------------------------|--|--|--------------------------------------|------------------|
| At December 31, 2021 and January 1, 2022 | 14,318 | 102,963 | 57,076 | 56,675 | 335,864 | 566,896 |
| Additions | 6,857 | 3,119 | 12,773 | 103,068 | 5,168 | 130,985 |
| Transfer from construction in progress | 43,334 | 21,579 | 10,840 | (132,893) | 57,140 | - |
| Disposals | - | (3,724) | (2,609) | - | (8,254) | (14,587) |
| At December 31, 2022 and January 1, 2023 | 64,509 | 123,937 | 78,080 | 26,850 | 389,918 | 683,294 |
| Additions | - | 14,797 | 45,179 | 236,704 | 2,180 | 298,860 |
| Transfer from construction in progress | - | 54,150 | 1,857 | (197,189) | 141,182 | - |
| Disposals | - | (9,297) | (4,026) | - | (27,825) | (41,148) |
| At December 31, 2023 and January 1, 2024 | 64,509 | 183,587 | 121,090 | 66,365 | 505,455 | 941,006 |
| Additions | - | 6,885 | 27,034 | 203,069 | 2,220 | 239,208 |
| Transfer from construction in progress | - | 62,728 | 1,839 | (197,544) | 132,977 | - |
| Disposals | - | (8,455) | (4,323) | - | (21,929) | (34,707) |
| At August 31, 2024 | 64,509 | 244,745 | 145,640 | 71,890 | 618,723 | 1,145,507 |
| Accumulated depreciation: | | | | | | |
| At January 1, 2021 | 1,491 | 9,202 | 5,198 | - | 45,100 | 60,991 |
| Charge for the year | 606 | 17,876 | 9,036 | - | 66,361 | 93,879 |
| Written back on disposals | - | (700) | (260) | - | (2,834) | (3,794) |
| At December 31, 2021 and January 1, 2022 | 2,097 | 26,378 | 13,974 | - | 108,627 | 151,076 |
| Charge for the year | 1,758 | 23,497 | 12,079 | - | 75,936 | 113,270 |
| Written back on disposals | - | (2,037) | (1,311) | - | (4,565) | (7,913) |
| At December 31, 2022 and January 1, 2023 | 3,855 | 47,838 | 24,742 | - | 179,998 | 256,433 |
| Charge for the year | 3,061 | 28,159 | 17,198 | - | 84,419 | 132,837 |
| Written back on disposals | - | (6,419) | (2,552) | - | (23,159) | (32,130) |
| At December 31, 2023 and January 1, 2024 | 6,916 | 69,578 | 39,388 | - | 241,258 | 357,140 |
| Charge for the period | 2,044 | 25,456 | 15,166 | - | 69,778 | 112,444 |
| Written back on disposals | - | (5,667) | (2,667) | - | (17,819) | (26,153) |
| At August 31, 2024 | 8,960 | 89,367 | 51,887 | - | 293,217 | 443,431 |
| Impairment: | | | | | | |
| At January 1, 2021 | - | 199 | 31 | - | 512 | 742 |
| Charge for the year | - | - | - | - | - | - |
| At December 31, 2021 and January 1, 2022 | - | 199 | 31 | - | 512 | 742 |
| Charge for the year | - | 228 | 60 | - | 583 | 871 |
| Written back on disposals | - | (199) | (31) | - | (512) | (742) |

| | Buildings RMB'000 | Kitchen equipment RMB'000 | Electronic equipment and others RMB'000 | Construction in progress RMB'000 | Leasehold improvements RMB'000 | Total RMB'000 |
|---|----------------------|---------------------------------|--|--|--------------------------------------|------------------|
| At December 31, 2022 and January 1, 2023 | – | 228 | 60 | – | 583 | 871 |
| Charge for the year | – | – | – | – | 626 | 626 |
| Written back on disposals | – | (114) | (54) | – | (583) | (751) |
| At December 31, 2023 and January 1, 2024 | – | 114 | 6 | – | 626 | 746 |
| Charge for the period | – | – | – | – | 1,779 | 1,779 |
| Written back on disposals | – | – | – | – | (1,080) | (1,080) |
| At August 31, 2024 | – | 114 | 6 | – | 1,325 | 1,445 |
| Net book value | | | | | | |
| At August 31, 2024: | <u>55,549</u> | <u>155,264</u> | <u>93,747</u> | <u>71,890</u> | <u>324,181</u> | <u>700,631</u> |
| At December 31, 2023 | <u>57,593</u> | <u>113,895</u> | <u>81,696</u> | <u>66,365</u> | <u>263,571</u> | <u>583,120</u> |
| At December 31, 2022 | <u>60,654</u> | <u>75,871</u> | <u>53,278</u> | <u>26,850</u> | <u>209,337</u> | <u>425,990</u> |
| At December 31, 2021 | <u>12,221</u> | <u>76,386</u> | <u>43,071</u> | <u>56,675</u> | <u>226,725</u> | <u>415,078</u> |

All of the property, plant and equipment owned by the Group are located in the PRC.

Impairment loss

As at December 31, 2021, 2022 and 2023 and August 31, 2024, in view of the unfavorable future prospects of certain restaurants, the Group's management estimated the recoverable amount of each such restaurant (cash-generating unit ("CGU")) with an indication of impairment. The recoverable amount of each CGU is determined based on fair value less cost of disposal or the value-in-use calculations by preparing cash flow projections of the relevant CGUs derived from the most recent financial forecast approved by the management covering the remaining lease term, which is higher. The cash flows are discounted using a discount rate of 13.5%, 14.5%, 14.3% and 14.0% as at December 31, 2021, 2022 and 2023 and August 31, 2024, respectively. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

During the year ended December 31, 2021, 2022 and 2023 and eight months ended August 31, 2024, an impairment loss of RMB334,000, RMB977,000, RMB658,000 and RMB1,781,000 was recognized, respectively, as the carrying amount of certain cash-generating units ("CGUs") exceeded their recoverable amount. The impairment loss was allocated to the assets in related restaurant including right-of-use assets, leasehold improvement and other property, plant and equipment within CGU on a pro rata basis, was recognized in profit or loss as the "Other expenses" in the consolidated statements of profit or loss and other comprehensive income respectively.

12 RIGHT-OF-USE ASSETS

(a) The reconciliation of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

| | Properties RMB'000 | Leasehold land RMB'000 | Total RMB'000 |
|---|-----------------------|---------------------------|------------------|
| Cost: | | | |
| At January 1, 2021 | 392,130 | – | 392,130 |
| Additions | <u>366,256</u> | <u>–</u> | <u>366,256</u> |
| At December 31, 2021 and January 1, 2022 | 758,386 | – | 758,386 |
| Additions | 147,253 | – | 147,253 |
| Disposals | <u>(8,201)</u> | <u>–</u> | <u>(8,201)</u> |
| At December 31, 2022 and January 1, 2023 | 897,438 | – | 897,438 |
| Additions | 405,181 | – | 405,181 |
| Disposals | <u>(10,317)</u> | <u>–</u> | <u>(10,317)</u> |

| | Properties RMB'000 | Leasehold land RMB'000 | Total RMB'000 |
|---|-----------------------|---------------------------|------------------|
| At December 31, 2023 and January 1, 2024 | 1,292,302 | – | 1,292,302 |
| Additions | 257,116 | 12,453 | 269,569 |
| Disposals | (3,679) | – | (3,679) |
| | <u>1,545,739</u> | <u>12,453</u> | <u>1,558,192</u> |
| At August 31, 2024 | 1,545,739 | 12,453 | 1,558,192 |
| Accumulated depreciation: | | | |
| At January 1, 2021 | (91,255) | – | (91,255) |
| Charge for the year | (146,424) | – | (146,424) |
| | <u>(237,679)</u> | <u>–</u> | <u>(237,679)</u> |
| At December 31, 2021 and January 1, 2022 | (237,679) | – | (237,679) |
| Charge for the year | (172,306) | – | (172,306) |
| Written back on disposals | 5,308 | – | 5,308 |
| | <u>(404,677)</u> | <u>–</u> | <u>(404,677)</u> |
| At December 31, 2022 and January 1, 2023 | (404,677) | – | (404,677) |
| Charge for the year | (196,270) | – | (196,270) |
| Written back on disposals | 2,769 | – | 2,769 |
| | <u>(598,178)</u> | <u>–</u> | <u>(598,178)</u> |
| At December 31, 2023 and January 1, 2024 | (598,178) | – | (598,178) |
| Charge for the period | (167,973) | (166) | (168,139) |
| Written back on disposals | 1,471 | – | 1,471 |
| | <u>(764,680)</u> | <u>(166)</u> | <u>(764,846)</u> |
| At August 31, 2024 | (764,680) | (166) | (764,846) |
| Impairment (Note 11): | | | |
| At January 1, 2021 | – | – | – |
| Charge for the year | (334) | – | (334) |
| | <u>(334)</u> | <u>–</u> | <u>(334)</u> |
| At December 31, 2021 and January 1, 2022 | (334) | – | (334) |
| Charge for the year | (105) | – | (105) |
| Written back on disposals | 334 | – | 334 |
| | <u>(105)</u> | <u>–</u> | <u>(105)</u> |
| At December 31, 2022 and January 1, 2023 | (105) | – | (105) |
| Charge for the year | (32) | – | (32) |
| Written back on disposals | 105 | – | 105 |
| | <u>(32)</u> | <u>–</u> | <u>(32)</u> |
| At December 31, 2023 and January 1, 2024 | (32) | – | (32) |
| Charge for the period | (2) | – | (2) |
| Written back on disposals | 32 | – | 32 |
| | <u>(2)</u> | <u>–</u> | <u>(2)</u> |
| At August 31, 2024 | (2) | – | (2) |
| Net book value: | | | |
| At August 31, 2024 | <u>781,057</u> | <u>12,287</u> | <u>793,344</u> |
| At December 31, 2023 | <u>694,092</u> | <u>–</u> | <u>694,092</u> |
| At December 31, 2022 | <u>492,656</u> | <u>–</u> | <u>492,656</u> |
| At December 31, 2021 | <u>520,373</u> | <u>–</u> | <u>520,373</u> |

(b) The analysis of expense items in relation to leases recognized in profit or loss is as follows:

| | Years ended December 31, | | | Eight months ended | |
|--|--------------------------|---------|---------|--------------------|---------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Depreciation charge of right-of-use assets by class of underlying asset: | | | | (unaudited) | |
| – Properties | 146,424 | 172,306 | 196,270 | 122,031 | 168,139 |
| Interest on lease liabilities (Note 6(a)) | 22,191 | 24,504 | 28,218 | 19,665 | 25,780 |
| COVID-19-Related rent concessions received (Note iii) | (2,315) | (4,125) | – | – | – |
| Expense relating to short-term leases | 38,175 | 41,688 | 28,855 | 13,284 | 47,900 |
| Variable lease payments not included in the measurement of lease liabilities | 13,023 | 15,730 | 29,670 | 21,706 | 15,237 |

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 17(d) and 21, respectively.

Notes:

(i) Properties – Right-of-use assets

The Group has obtained the right of use properties as its restaurants through tenancy agreements. The leases typically run for an initial period of lease terms of 2 to 13 years. Lease payments are usually increased every 1 year to reflect market rentals.

(ii) Rental deposits

The refundable rental deposits themselves are not parts of the lease payments and the measurement are within the scope of IFRS 9. Therefore, the rental deposits should be measured at fair value on initial recognition. The difference between the initial fair value and the nominal value of the deposit is an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

(iii) COVID-19 Related rent concessions received

| 2021 | COVID-19-Related rent concessions received | | | | | |
|------------|--|---------------------------|---|------------------------------|------------------|------------------------|
| | Fixed payments RMB'000 | Variable payments RMB'000 | Deducted from Variable payments RMB'000 | Recognized as income RMB'000 | Subtotal RMB'000 | Total payments RMB'000 |
| Properties | 138,697 | 13,023 | (453) | (1,862) | (2,315) | 149,405 |
| 2022 | COVID-19-Related rent concessions received | | | | | |
| | Fixed payments RMB'000 | Variable payments RMB'000 | Deducted from Variable payments RMB'000 | Recognized as income RMB'000 | Subtotal RMB'000 | Total payments RMB'000 |
| Properties | 174,857 | 15,730 | (508) | (3,617) | (4,125) | 186,462 |

13 INTANGIBLE ASSETS

| | Software RMB'000 | Trademarks RMB'000 | Total RMB'000 |
|--|---------------------|-----------------------|------------------|
| Cost: | | | |
| At January 1, 2021 | – | – | – |
| Addition | 4,306 | – | 4,306 |
| At December 31, 2021 and January 1, 2022 | 4,306 | – | 4,306 |
| Addition | 38 | – | 38 |
| At December 31, 2022 and January 1, 2023 | 4,344 | – | 4,344 |
| Addition | 189 | 613 | 802 |
| At December 31, 2023 and January 1, 2024 | 4,533 | 613 | 5,146 |
| Addition | 793 | – | 793 |
| At August 31, 2024 | 5,326 | 613 | 5,939 |
| Accumulated amortization: | | | |
| At January 1, 2021 | – | – | – |
| Charge for the year | 77 | – | 77 |
| At December 31, 2021 and January 1, 2022 | 77 | – | 77 |
| Charge for the year | 1,047 | – | 1,047 |
| At December 31, 2022 and January 1, 2023 | 1,124 | – | 1,124 |
| Charge for the year | 1,059 | 51 | 1,110 |
| At December 31, 2023 and January 1, 2024 | 2,183 | 51 | 2,234 |
| Charge for the period | 793 | 41 | 834 |
| At August 31, 2024 | 2,976 | 92 | 3,068 |
| Net book value: | | | |
| At December 31, 2021 | 4,229 | – | 4,229 |
| At December 31, 2022 | 3,220 | – | 3,220 |
| At December 31, 2023 | 2,350 | 562 | 2,912 |
| At August 31, 2024 | 2,350 | 521 | 2,871 |

14 INTERESTS IN SUBSIDIARIES

The Company

| | As at December 31, | | | As at |
|-------------------------------------|--------------------|-----------------|-----------------|-------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | August 31, 2024 RMB'000 |
| Investment in a subsidiary, at cost | – | – | 53,421 | 53,646 |

Note: As at December 31, 2021, 2022 and 2023 and August 31, 2024, the Company's investments in a subsidiary was nil, nil, USD7,306,000 (equivalent to RMB53,421,000) and USD7,306,000 (equivalent to RMB53,646,000).

During the Tract Record Period, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

| Company name | Place and date of incorporation/ establishment | Particulars of issued capital | Particulars of paid-up capital | Effective interest held by the Group | | | | At the date of report | Principal activities |
|--|---|-------------------------------|--------------------------------|--------------------------------------|------|------|-----------------------|-----------------------|---|
| | | | | As at December 31, 2021 | 2022 | 2023 | As at August 31, 2024 | | |
| Directly held by the Company | | | | | | | | | |
| XCY 168 Limited (Notes (b)(e)) | The British Virgin Islands November 03, 2021 | USD50,000 | - | 100% | 100% | 100% | 100% | 100% | Investment Holding |
| Indirectly held by the Company | | | | | | | | | |
| Xiaocaiyuan HK Holding Limited (小菜園香港控股有限公司) (Notes (c)(e)) | Hong Kong November 24, 2021 | HKD50,000 | - | 100% | 100% | 100% | 100% | 100% | Investment Holding |
| Anhui Xiaocaiyuan Catering Holdings Company Limited (安徽小菜園餐飲控股有限公司) (Notes (a)(d)(e)) | The People's Republic of China December 09, 2021 | RMB50,000,000 | RMB50,000,000 | 100% | 100% | 100% | 100% | 100% | Investment Holding |
| Anhui Xiaocaiyuan Catering Management Company Limited (安徽小菜園餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China June 09, 2013 | RMB20,100,500 | RMB20,100,500 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |
| Xiaocaiyuan (Shanghai) Catering Management Company Limited (小菜園(上海)餐飲管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China November 30, 2020 | RMB5,000,000 | RMB5,000,000 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |
| Anhui Guandi Catering Management Company Limited (安徽觀邸餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China June 13, 2017 | RMB5,000,000 | RMB5,000,000 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |
| Hangzhou Xiaocaiyuan Catering Management Company Limited (杭州小菜園餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China November 07, 2019 | RMB3,000,000 | RMB3,000,000 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |
| Wuhan Xiaocaiyuan Catering Management Company Limited (武漢小菜園餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China July 29, 2020 | RMB1,000,000 | RMB1,000,000 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |
| Beijing Xiaocaiyuan Catering Management Company Limited (北京小菜園餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China December 01, 2016 | RMB1,000,000 | RMB1,000,000 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |
| Anhui Shangweitang Catering Management Company Limited (安徽尚味堂餐飲管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China July 04, 2019 | RMB10,000,000 | RMB10,000,000 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |

| Company name | Place and date of incorporation/ establishment | Particulars of issued capital | Particulars of paid-up capital | Effective interest held by the Group | | | | At the date of report | Principal activities |
|--|--|-------------------------------|--------------------------------|--------------------------------------|------|-------|-----------------|-----------------------|---|
| | | | | As at December 31, | | As at | | | |
| | | | | 2021 | 2022 | 2023 | August 31, 2024 | | |
| Anhui Shangyuan catering service Company Limited (安徽尚園餐飲服務有限公司) (Notes (a)(b)(e)) | The People's Republic of China October 31, 2022 | RMB5,000,000 | RMB5,000,000 | - | 100% | 100% | 100% | 100% | Supply chain management and delivery business |
| Xiaocaiyuan Nanjing Catering Management Company Limited (小菜園南京餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China July 30, 2020 | RMB60,000,000 | RMB60,000,000 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |
| Xiaocaiyuan (Suzhou) Catering Management Company Limited (小菜園(蘇州)餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China September 11, 2020 | RMB5,000,000 | RMB5,000,000 | 100% | 100% | 100% | 100% | 100% | Restaurant operations and delivery business |
| Jiang Xiaowan (Shanghai) Catering Management Service Company Limited (江小皖(上海)餐飲管理服務有限公司) (Notes (a)(b)(e)) | The People's Republic of China June 26, 2023 | RMB5,000,000 | RMB2,300,000 | - | - | 100% | 100% | 100% | Restaurant operations and delivery business |
| Zhengzhou Caicaiyuanyuan Catering Management Company Limited (鄭州菜菜園園餐飲管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China 10 July 2023 | RMB5,000,000 | RMB5,000,000 | - | - | 100% | 100% | 100% | Restaurant operations and delivery business |
| Jinan Caicaiyuanyuan Catering Management Company Limited (濟南菜菜園園餐飲管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China 10 August 2023 | RMB5,000,000 | RMB5,000,000 | - | - | 100% | 100% | 100% | Restaurant operations and delivery business |
| Anhui Fengyuan Food Company Limited (安徽豐園食品有限公司) (Notes (a)(b)(e)) | The People's Republic of China 31 October 2022 | RMB50,000,000 | RMB12,000,000 | - | 100% | 100% | 100% | 100% | Supply chain management and delivery business |
| Nanchang Xiaocaiyuan Catering Management Company Limited (南昌小菜園餐飲管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China 14 August 2023 | RMB5,000,000 | RMB5,000,000 | - | - | 100% | 100% | 100% | Restaurant operations and delivery business |
| Nanjing Caishou Catering Management Company Limited (南京菜手餐飲管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China 10 August 2023 | RMB5,000,000 | RMB1,000,000 | - | - | 100% | 100% | 100% | Restaurant operations and delivery business |
| Anhui Xiaocaiyuan Supply Chain Company Limited (安徽小菜園供應總有限公司) (Notes (a)(b)(e)) | The People's Republic of China 23 June 2021 | RMB60,000,000 | RMB60,000,000 | 100% | 100% | 100% | 100% | 100% | Supply chain management and delivery business |
| Tongling Tiantian Fishing Catering Management Co., Ltd. (銅陵市天天打漁餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China 21 March 2016 (deregistration on 19 March 2021) | RMB2,000,000 | - | - | - | - | - | - | Restaurant operations and delivery business |

| Company name | Place and date of incorporation/ establishment | Particulars of issued capital | Particulars of paid-up capital | Effective interest held by the Group | | | | At the date of report | Principal activities |
|--|--|-------------------------------|--------------------------------|--------------------------------------|------|------|-----------------------|-----------------------|---|
| | | | | As at December 31, 2021 | 2022 | 2023 | As at August 31, 2024 | | |
| Tongli Yunxi Technology Development Co., Ltd. (銅陵雲錫科技發展有限公司) (Notes (a)(b)(e)) | The People's Republic of China 06 August 2020 (deregistration on 24 December 2021) | RMB1,000,000 | - | - | - | - | - | - | Supply chain management and delivery business |
| Xiaocaiyuan Xuzhou Catering Management Co., Ltd. (小菜園徐州餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China 17 July 2020 (deregistration on 01 September 2021) | RMB1,000,000 | - | - | - | - | - | - | Restaurant operations and delivery business |
| Tongling Caiyuan Enterprise Management Co., Ltd. (銅陵菜園企業管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China September 29, 2018 (deregistration on January 07, 2021) | RMB50,000 | - | - | - | - | - | - | Supply chain management and delivery business |
| Tongling Xianghenjiu Catering Management Co., Ltd. (銅陵市想很久餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China August 31, 2015 (deregistration on March 31, 2021) | RMB2,000,000 | - | - | - | - | - | - | Restaurant operations and delivery business |
| Wuhan Xu'an Catering Management Co., Ltd. (武漢旭安餐飲管理有限責任公司) (Notes (a)(b)(e)) | The People's Republic of China August 19, 2019 (deregistration on August 23, 2021) | RMB500,000 | - | - | - | - | - | - | Restaurant operations and delivery business |
| Hefei Xiaocaiyuan Catering Management Company Limited (合肥小菜園餐飲管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China August 16, 2019 (deregistration on December 15, 2021) | RMB2,000,000 | - | - | - | - | - | - | Restaurant operations and delivery business |
| Xiaocaiyuan (Ma'anshan) Catering Management Company Limited (小菜園(馬鞍山)餐飲管理有限公司) (Notes (a)(b)(e)) | The People's Republic of China 6 November 2023 | RMB10,000,000 | RMB8,000,000 | - | - | 100% | 100% | 100% | Restaurant operations and delivery business |
| Xiaocaiyuan (Ma'anshan) Supply Chain Company Limited (小菜園(馬鞍山)供應有限公司) (Notes (a)(b)(e)) | The People's Republic of China 7 November 2023 | RMB60,000,000 | RMB26,848,682 | - | - | 100% | 100% | 100% | Supply chain management and delivery business |

Notes:

- The official names of these entities are in Chinese. The English names are for identification purpose only.
- No audited financial statements have been prepared for these entities for the Track Record Period.
- The entity prepared the financial statements for the period from November 24, 2021 (issuance date of business registration) to December 31, 2022 and for the years ended December 31, 2023 in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements for the period from November 24, 2021 (issuance date of business registration) to December 31, 2022 and for the years ended December 31, 2023 were audited by KPMG, certified public accountants registered in Hong Kong. As at the date of this report, no audited financial statements have been prepared for the eight months ended August 31, 2024.
- The entity prepared the financial statements for the years ended December 31, 2022 and 2023 in accordance with the requirements of Accounting Standards for Business Enterprise, which are also referred to as China Accounting Standards, issued by the Ministry of Finance of the PRC. The financial statements for the years ended December 31, 2022 and 2023 were audited by Tongling Jinjian Certified Public Accountants Office, certified public accountants registered in PRC. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2021 and eight months ended August 31, 2024.
- These entities are limited liability companies.

All companies comprising the Group have adopted December 31 as their financial year end date.

15 INVENTORIES

| | As at December 31, | | | As at |
|--------------------|--------------------|---------------|----------------|---------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Food ingredients | 41,779 | 63,082 | 80,567 | 74,062 |
| Condiment products | 6,799 | 11,133 | 10,051 | 10,055 |
| Beverage | 3,315 | 2,955 | 3,524 | 3,765 |
| Others | 6,195 | 7,601 | 10,756 | 10,431 |
| | <u>58,088</u> | <u>84,771</u> | <u>104,898</u> | <u>98,313</u> |

The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

| | Years ended December 31, | | | Eight months ended | |
|--|--------------------------|------------------|------------------|--------------------|------------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Carrying amount of inventories sold and consumed | <u>913,044</u> | <u>1,087,918</u> | <u>1,433,379</u> | <u>959,122</u> | <u>1,140,473</u> |

All of the inventories are expected to be recovered within one year.

16 TRADE AND OTHER RECEIVABLES

The Group

| | As at December 31, | | | As at |
|--------------------------------|--------------------|----------------|----------------|----------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Trade debtors | 17,284 | 27,071 | 33,707 | 31,376 |
| Other receivables and deposits | 28,911 | 61,154 | 88,901 | 73,790 |
| Prepayments | 75,829 | 87,356 | 134,107 | 106,834 |
| Value added tax recoverable | 3,608 | 9,858 | 13,422 | 10,819 |
| | <u>125,632</u> | <u>185,439</u> | <u>270,137</u> | <u>222,819</u> |

Note:

- (i) Prepayments mainly represent prepayments for prepayments of procurement, rental and property management expenses, utilities expenses and listing expenses.

Aging analysis

As of the end of the reporting period, the aging analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date, is as follows:

| | As at December 31, | | | As at |
|---------------------------------|--------------------|---------------|---------------|---------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Within 1 month | 15,442 | 22,812 | 31,580 | 28,629 |
| 1 to 3 months | 1,555 | 2,805 | 1,489 | 1,656 |
| 3 to 6 months | 139 | 704 | 224 | 829 |
| Over 6 months but within 1 year | 148 | 750 | 414 | 262 |
| | <u>17,284</u> | <u>27,071</u> | <u>33,707</u> | <u>31,376</u> |

Trade debtors are due within 1 year from the date of revenue recognition. Further details on the Group's credit policy are set out in Note 27.

The Company

| | As at December 31, | | | As at |
|--|--------------------|-----------------|-----------------|-------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | August 31, 2024 RMB'000 |
| Trade and other receivables (Non-current) | 319 | 348 | 71 | 71 |
| Trade and other receivables (Current) | — | — | 1,499 | 6,418 |
| | <u>319</u> | <u>348</u> | <u>1,570</u> | <u>6,489</u> |

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

| | As at December 31, | | | As at |
|---------------------------|--------------------|-----------------|-----------------|-------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | August 31, 2024 RMB'000 |
| Cash on hand | 4,224 | — | 1 | 12 |
| Cash at bank | 22,147 | 76,001 | 645,152 | 611,269 |
| Less: Restricted deposits | (6,000) | (13,000) | (25,000) | (15,000) |
| | <u>20,371</u> | <u>63,001</u> | <u>620,153</u> | <u>596,281</u> |

The Company

| | As at December 31, | | | As at |
|--------------|--------------------|-----------------|-----------------|-------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | August 31, 2024 RMB'000 |
| Cash at bank | — | — | 350,756 | 456,930 |
| | <u>—</u> | <u>—</u> | <u>350,756</u> | <u>456,930</u> |

(b) Reconciliation of profit before taxation to cash generated from operations:

| | Note | Years ended December 31, | | | Eight months ended | |
|---|------|--------------------------|----------------|------------------|--------------------|----------------|
| | | 2021 | 2022 | 2023 | 31 August, | 2024 |
| | | RMB'000 | RMB'000 | RMB'000 | 2023 | 2024 |
| | | | | | RMB'000 | RMB'000 |
| | | | | | (unaudited) | |
| Profit before taxation | | 309,046 | 349,775 | 744,119 | 553,511 | 542,033 |
| Adjustments for: | | | | | | |
| Interest income | 5 | (1,235) | (1,701) | (9,022) | (4,447) | (16,762) |
| Investment income | 5 | (333) | (1,761) | (2,556) | (1,461) | (1,522) |
| Depreciation and amortization | | 240,380 | 286,623 | 330,217 | 207,479 | 281,417 |
| Finance costs | 6(a) | 24,295 | 28,321 | 31,554 | 21,910 | 27,093 |
| Changes in carrying amount of the redemption liability | 6(d) | - | - | 1,699 | - | 26,148 |
| Changes in fair value of the convertible bonds and derivative financial instruments | 6(d) | - | - | 3,733 | 4,141 | (46,437) |
| Equity-settled share-based payment expenses | 6(b) | 6,451 | - | - | - | - |
| Covid-19-related rent concessions received | 6(d) | (1,862) | (3,617) | - | - | - |
| Impairment losses of property, plant and equipment and right-of-use assets | 6(c) | 334 | 977 | 658 | 712 | 1,781 |
| Net loss on disposal of property, plant and equipment and right-of-use assets | 6(d) | 467 | 3,284 | 4,465 | 1,080 | 3,794 |
| Changes in working capital: | | | | | | |
| (Increase)/decrease in inventories | | (20,799) | (26,683) | (20,127) | (11,327) | 6,585 |
| (Increase)/decrease in trade and other receivables, and rental deposits | | (64,376) | (59,210) | (95,903) | 23,252 | 40,494 |
| (Decrease)/increase in trade and other payables | | (99,346) | (48,874) | 46,045 | 25,080 | (4,464) |
| Increase in contract liabilities | | 6,876 | 9,402 | 10,057 | 15,104 | 58 |
| Cash generated from operations | | <u>399,898</u> | <u>536,536</u> | <u>1,044,939</u> | <u>835,034</u> | <u>860,218</u> |

(c) Reconciliation of liabilities arising from financing activities:

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

| | Lease liabilities | Bank loans and other borrowings | Amounts due to related parties | Redemption liability and derivative financial instruments | Dividend payable | Total |
|--|-------------------|---------------------------------|--------------------------------|---|------------------|----------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (Note 21) | (Note 18) | (Note 29) | (Note 25) | (Note 26(d)) | |
| At January 1, 2021 | 304,490 | 17,844 | 24,100 | - | - | 346,434 |
| Proceeds from bank loans and other borrowings | - | 38,000 | - | - | - | 38,000 |
| Repayment of bank loans and other borrowings | - | (16,383) | - | - | - | (16,383) |
| Interest of bank loans and other borrowings paid | - | (1,379) | - | - | - | (1,379) |

| | Lease liabilities RMB'000 (Note 21) | Bank loans and other borrowings RMB'000 (Note 18) | Amounts due to related parties RMB'000 (Note 29) | Redemption liability and derivative financial instruments RMB'000 (Note 25) | Dividend payable RMB'000 (Note 26(d)) | Total RMB'000 |
|---|--|---|---|---|--|------------------|
| Advances from related parties | - | - | 12,200 | - | - | 12,200 |
| Repayments of Advances from related parties | - | - | (6,468) | - | - | (6,468) |
| Payment of capital element of lease liabilities | (116,506) | - | - | - | - | (116,506) |
| Payment of interest element of lease liabilities | (22,191) | - | - | - | - | (22,191) |
| Total changes from financing cash flows | (138,697) | 20,238 | 5,732 | - | - | (112,727) |
| Other changes: | | | | | | |
| Interest expenses | 22,191 | 1,379 | - | - | - | 23,570 |
| Increase in lease liabilities from entering into new leases during the year | 334,247 | - | - | - | - | 334,247 |
| Dividend declared | - | - | - | - | 150,000 | 150,000 |
| Total other changes | 356,438 | 1,379 | - | - | 150,000 | 507,817 |
| At December 31, 2021 and January 1, 2022 | 522,231 | 39,461 | 29,832 | - | 150,000 | 741,524 |
| Proceeds from bank loans | - | 123,500 | - | - | - | 123,500 |
| Repayment of bank loans | - | (49,523) | - | - | - | (49,523) |
| Interest of bank loans paid | - | (2,921) | - | - | - | (2,921) |
| Advances from related parties | - | - | 28,312 | - | - | 28,312 |
| Repayments of Advances from related parties | - | - | (58,144) | - | - | (58,144) |
| Payment of capital element of lease liabilities | (150,353) | - | - | - | - | (150,353) |
| Payment of interest element of lease liabilities | (24,504) | - | - | - | - | (24,504) |
| Dividend paid | - | - | - | - | (150,000) | (150,000) |
| Total changes from financing cash flows | (174,857) | 71,056 | (29,832) | - | (150,000) | (283,633) |
| Other changes: | | | | | | |
| Interest expenses | 24,504 | 2,921 | - | - | - | 27,425 |

| | Lease liabilities RMB'000 (Note 21) | Bank loans and other borrowings RMB'000 (Note 18) | Amounts due to related parties RMB'000 (Note 29) | Redemption liability and derivative financial instruments RMB'000 (Note 25) | Dividend payable RMB'000 (Note 26(d)) | Total RMB'000 |
|---|---|---|--|---|---|------------------|
| Increase in lease liabilities from entering into new leases during the year | 142,026 | - | - | - | - | 142,026 |
| Decrease in lease liabilities from ceasing leases contract during the year | (7,170) | - | - | - | - | (7,170) |
| Total other changes | <u>159,360</u> | <u>2,921</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>162,281</u> |
| At December 31, 2022 | <u>506,734</u> | <u>113,438</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>620,172</u> |

| | Lease liabilities RMB'000 (Note 21) | Bank loans and other borrowings RMB'000 (Note 18) | Amounts due to related parties RMB'000 (Note 29) | Redemption liability and derivative financial instruments RMB'000 (Note 25) | Dividend payable RMB'000 (Note 26(d)) | Listing expense payable (included in trade and other payables) RMB'000 (Note 19) | Total RMB'000 |
|---|---|---|--|---|---|--|------------------|
| At January 1, 2023 | 506,734 | 113,438 | - | - | - | - | 620,172 |
| Proceeds from bank loans | - | 50,000 | - | - | - | - | 50,000 |
| Repayment of bank loans | - | (113,438) | - | - | - | - | (113,438) |
| Interest expenses of bank loans paid | - | (2,299) | - | - | - | - | (2,299) |
| Proceeds from the financial instruments issued to an investor | - | - | - | 400,000 | - | - | 400,000 |
| Payment of capital element of lease liabilities | (172,068) | - | - | - | - | - | (172,068) |
| Payment of interest element of lease liabilities | (28,218) | - | - | - | - | - | (28,218) |
| Dividend paid | - | - | - | - | (135,276) | - | (135,276) |
| Listing expenses paid | - | - | - | - | - | (833) | (833) |
| Total changes from financing cash flows | <u>(200,286)</u> | <u>(65,737)</u> | <u>-</u> | <u>400,000</u> | <u>(135,276)</u> | <u>(833)</u> | <u>(2,132)</u> |
| Other changes: | | | | | | | |
| Interest expenses | 28,218 | 2,299 | - | - | - | - | 30,517 |
| Increase in lease liabilities from entering into new leases during the year | 384,952 | - | - | - | - | - | 384,952 |
| Decrease in lease liabilities from ceasing leases contract during the year | (8,487) | - | - | - | - | - | (8,487) |
| Changes in carrying amount of the redemption liability | - | - | - | 1,699 | - | - | 1,699 |
| Changes in fair value of the convertible bonds and derivative financial instruments | - | - | - | 3,733 | - | - | 3,733 |
| Decrease in other reserve | - | - | - | 97,140 | - | - | 97,140 |

| | Lease liabilities RMB'000 (Note 21) | Bank loans and other borrowings RMB'000 (Note 18) | Amounts due to related parties RMB'000 (Note 29) | Redemption liability and derivative financial instruments RMB'000 (Note 25) | Dividend payable RMB'000 (Note 26(d)) | Listing expense payable (included in trade and other payables) RMB'000 (Note 19) | Total RMB'000 |
|---|---|---|--|---|---|--|------------------|
| Effect of foreign exchange rate changes | - | - | - | (680) | - | - | (680) |
| Dividend declared | - | - | - | - | 135,276 | - | 135,276 |
| Addition | - | - | - | - | - | 5,271 | 5,271 |
| Total other changes | 404,683 | 2,299 | - | 101,892 | 135,276 | 5,271 | 649,421 |
| At December 31, 2023 and January 1, 2024 | 711,131 | 50,000 | - | 501,892 | - | 4,438 | 1,267,461 |
| Repayment of bank loans | - | (20,000) | - | - | - | - | (20,000) |
| Proceeds from the financial instruments issued to an investor | - | - | - | 100,000 | - | - | 100,000 |
| Payment of capital element of lease liabilities | (136,007) | - | - | - | - | - | (136,007) |
| Payment of interest element of lease liabilities | (25,780) | - | - | - | - | - | (25,780) |
| Payment of the redemption liability | - | - | - | (3,149) | - | - | (3,149) |
| Dividend paid | - | - | - | (13,152) | (174,348) | - | (187,500) |
| Listing expenses paid | - | - | - | - | - | (1,113) | (1,113) |
| Total changes from financing cash flows | (161,787) | (20,000) | - | 83,699 | (174,348) | (1,113) | (273,549) |
| Other changes: | | | | | | | |
| Interest expenses | 25,780 | 470 | - | - | - | - | 26,250 |
| Increase in lease liabilities from entering into new leases during the year | 291,581 | - | - | - | - | - | 291,581 |
| Decrease in lease liabilities from ceasing leases contract during the year | (40,096) | - | - | - | - | - | (40,096) |
| Changes in carrying amount of the redemption liability | - | - | - | 26,148 | - | - | 26,148 |
| Changes in fair value of the convertible bonds and derivative financial instruments | - | - | - | (46,437) | - | - | (46,437) |
| Increase in other reserve- Redeemable convertible preferred shares | - | - | - | 24,486 | - | - | 24,486 |
| Dividend declared | - | - | - | 13,152 | 174,348 | - | 187,500 |
| Effect of foreign exchange rate changes | - | - | - | (555) | - | - | (555) |
| Addition | - | - | - | - | - | 1,636 | 1,636 |
| Total other changes | 277,265 | 470 | - | 16,794 | 174,348 | 1,636 | 470,513 |
| At August 31, 2024 | 826,609 | 30,470 | - | 602,385 | - | 4,961 | 1,464,425 |

(d) Total cash outflow for leases

| | Years ended December 31, | | | Eight months ended |
|-----------------------------|--------------------------|----------------|----------------|--------------------|
| | 2021 | 2022 | 2023 | August 31, 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Within operating cash flows | 51,198 | 57,418 | 58,525 | 63,137 |
| Within financing cash flows | 138,697 | 174,857 | 200,286 | 161,787 |
| | <u>189,895</u> | <u>232,275</u> | <u>258,811</u> | <u>224,924</u> |

18 BANK LOANS AND OTHER BORROWINGS

The analysis of the carrying amount of current bank loans and other borrowings is as follows:

| | As at December 31, | | | As at |
|------------------|--------------------|----------------|---------------|-----------------|
| | 2021 | 2022 | 2023 | August 31, 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Bank loans | 38,000 | 113,000 | 50,000 | 30,470 |
| Other borrowings | 1,461 | 438 | – | – |
| | <u>39,461</u> | <u>113,438</u> | <u>50,000</u> | <u>30,470</u> |

As at December 31, 2021, 2022 and 2023, and August 31, 2024, the banking facilities of the Group totaling RMB70,000,000, RMB280,000,000, RMB720,000,000 and RMB720,000,000 were utilized to the extent of RMB38,000,000, RMB113,000,000, RMB50,000,000 and RMB30,000,000 respectively. These bank facilities granted to the Group before December 2023 were guaranteed by Mr. Wang Shugao, Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Ms. Wang Weifang, Mr. Tao Xu'an, Mr. Chen Haiyan, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Zhou Taoxia, whom are the shareholders and their spouse ("the individual shareholder and the spouse"), and corporate guarantees provided by Xiaocaiyuan Catering. The guarantee of the individual shareholder and the spouse was released in December 2023.

19 TRADE AND OTHER PAYABLES

The Group

| | As at December 31, | | | As at |
|------------------------------------|--------------------|----------------|----------------|-----------------|
| | 2021 | 2022 | 2023 | August 31, 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade payables | 87,464 | 65,256 | 81,577 | 65,148 |
| Staff cost payable | 75,652 | 78,062 | 108,190 | 127,014 |
| Other taxes payable | 5,427 | 7,039 | 8,558 | 10,780 |
| Other payables and accrued charges | 28,502 | 46,009 | 82,152 | 73,071 |
| Amounts due to related parties | 84,762 | 36,567 | – | – |
| | <u>281,807</u> | <u>232,933</u> | <u>280,477</u> | <u>276,013</u> |

The amounts due to related parties are unsecured, interest-free and have no fixed-term of repayment.

As at December 31, 2021, 2022 and 2023 and August 31, 2024, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

| | As at December 31, | | | As at |
|-----------------|--------------------|-----------------|-----------------|-------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | August 31, 2024 RMB'000 |
| Within one year | 87,464 | 65,256 | 81,577 | 65,148 |

The Company

| | As at December 31, | | | As at |
|------------------------------------|--------------------|-----------------|-----------------|-------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | August 31, 2024 RMB'000 |
| Trade and other payables (Current) | - | - | 9,992 | 23,076 |

20 CONTRACT LIABILITIES

| | As at December 31, | | | As at |
|--|--------------------|-----------------|-----------------|-------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | August 31, 2024 RMB'000 |
| Contract liabilities related to prepaid cards | 47,803 | 57,402 | 66,604 | 65,834 |
| Contract liabilities related to customer membership programs | 598 | 401 | 1,256 | 2,084 |
| | <u>48,401</u> | <u>57,803</u> | <u>67,860</u> | <u>67,918</u> |

Movement in contract liabilities

| | As at December 31, | | | As at |
|--|--------------------|-----------------|-----------------|-------------------------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | August 31, 2024 RMB'000 |
| At the beginning of the year/period | 31,942 | 48,401 | 57,803 | 67,860 |
| Net increase in contract liabilities during the year/period | 48,401 | 57,803 | 67,860 | 67,918 |
| Decrease in contract liabilities as a result of recognizing revenue during the year/period that was included in the contract liabilities at the beginning of the year/period | (31,942) | (48,401) | (57,803) | (67,860) |
| Balance at the end of the year/period | <u>48,401</u> | <u>57,803</u> | <u>67,860</u> | <u>67,918</u> |

21 LEASE LIABILITIES

At December 31, 2021, 2022 and 2023 and August 31, 2024, the lease liabilities were repayable as follows:

| | As at December 31, | | | As at |
|--|--------------------|---------|---------|------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Lease liabilities included in the consolidated statement of financial position | | | | |
| - Within 1 year | 145,099 | 154,427 | 192,171 | 218,046 |
| - After 1 year but within 2 years | 133,614 | 131,797 | 164,072 | 192,662 |
| - After 2 years but within 5 years | 216,206 | 187,020 | 304,230 | 382,012 |
| - After 5 years | 27,312 | 33,490 | 50,658 | 33,889 |
| | 377,132 | 352,307 | 518,960 | 608,563 |
| | 522,231 | 506,734 | 711,131 | 826,609 |

22 PROVISIONS

| | As at December 31, | | | As at |
|----------------------------------|--------------------|---------|---------|------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Provisions for restoration costs | 18,115 | 20,135 | 24,962 | 27,975 |

The movements of provisions during the Track Record Period were as follows:

| | As at December 31, | | | As at |
|--------------------------|--------------------|---------|---------|------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Balance at the beginning | 9,648 | 18,115 | 20,135 | 24,962 |
| Additional provisions | 7,742 | 1,124 | 3,849 | 2,170 |
| Interest on provisions | 725 | 896 | 1,037 | 843 |
| Provisions utilized | - | - | (59) | - |
| Balance at the end | 18,115 | 20,135 | 24,962 | 27,975 |

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to restore certain leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for restoration costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical restoration costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

23 EQUITY SETTLED SHARE-BASED PAYMENTS

For the year ended December 31, 2021, four employees of the Group subscribed for limited partnership in the PRC shareholding platforms for a consideration of RMB1,800,000 in total. The subscription price in the employee share purchase arrangement is at a discount from the fair value of corresponding equity interests of Anhui Xiaocaiyuan Holding, the parent company of Xiaocaiyuan Catering before the Reorganization. The shares subscribed represent 0.6853% equity interests of Anhui Xiaocaiyuan Holding. Such share awards vest immediately at the grant date without any service or performance requirements, and free of restrictions on transfer.

Prior to the Reorganization, the equity settled share-based payments were carried out by Anhui Xiaocaiyuan Holding. The equity interests of Anhui Xiaocaiyuan Holding was subsequently converted into shares of the Company upon the Reorganization. Further details of the Reorganization are set out in Note 1.

The excess of the fair value of the corresponding equity interests of Anhui Xiaocaiyuan Holding over the cash consideration received is accounted for as a share-based payment to those four qualified employees. The grant date fair value of the corresponding equity interests of four qualified employees was RMB8,251,000 which was determined with the assistance of an independent third-party valuation firm, AVISTA Valuation Advisory Limited, and discounted cash flow method under the income approach was used. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market. The pre tax discount rates used for the grant date fair value were 19% during the year ended December 31, 2021.

The difference between the grant date fair value of RMB8,251,000 and the consideration of RMB1,800,000 being RMB6,451,000 was charged to the profit or loss and other capital reserve for the year ended December 31, 2021.

No dividend has been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share awards.

24 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents

| | As at December 31, | | | As at |
|--|--------------------|---------------|---------------|-----------------|
| | 2021 | 2022 | 2023 | August 31, 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the year/period | 31,091 | 32,940 | 24,087 | 70,526 |
| Provision for income tax for the year/period | 80,591 | 93,551 | 210,008 | 135,307 |
| Income tax paid | (78,742) | (102,404) | (163,569) | (143,901) |
| | <u>32,940</u> | <u>24,087</u> | <u>70,526</u> | <u>61,932</u> |

(b) Deferred tax assets and liabilities recognized

The components of deferred tax assets and liabilities recognized in the consolidated statements of financial position and the movements during the year/period are as follows:

| Deferred tax arising from: | Right-of-use | Lease | Withholding | Wealth | | | Total | |
|--|----------------|------------------|----------------|---------------|------------|--------------|------------|----------------|
| | assets | liabilities | tax on | Accruals | Impairment | management | | |
| | RMB'000 | RMB'000 | dividend | RMB'000 | RMB'000 | products | RMB'000 | |
| | | | Provision | | | | | |
| | | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| At January 1, 2021 | 81,850 | (76,123) | (2,412) | - | - | (185) | - | 3,130 |
| Charged/(credited) to profit or loss | 58,148 | (54,436) | (2,117) | - | (175) | (84) | - | 1,336 |
| At December 31, 2021 and January 1, 2022 | 139,998 | (130,559) | (4,529) | - | (175) | (269) | - | 4,466 |
| Charged/(credited) to profit or loss | 249 | 3,874 | (505) | 15,031 | (25) | 26 | - | 18,650 |
| At December 31, 2022 and January 1, 2023 | 140,247 | (126,685) | (5,034) | 15,031 | (200) | (243) | - | 23,116 |
| Payment for the year | - | - | - | (15,031) | - | - | - | (15,031) |
| Charged/(credited) to profit or loss | 33,277 | (51,099) | (1,207) | 20,833 | 200 | 48 | - | 2,052 |
| At December 31, 2023 and January 1, 2024 | 173,524 | (177,784) | (6,241) | 20,833 | - | (195) | - | 10,137 |
| Payment for the period | - | - | - | (20,833) | - | - | - | (20,833) |
| Charged/(credited) to profit or loss | 21,740 | (28,868) | (753) | 14,000 | - | (167) | 143 | 6,095 |
| At August 31, 2024 | <u>195,264</u> | <u>(206,652)</u> | <u>(6,994)</u> | <u>14,000</u> | <u>-</u> | <u>(362)</u> | <u>143</u> | <u>(4,601)</u> |

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since January 1, 2008.

As at December 31, 2021, 2022 and 2023 and August 31, 2024, deferred tax liabilities of Nil, RMB15,031,000, RMB20,833,000 and RMB14,000,000 have been recognized in connection with the withholding tax that would be payable on the distribution of retained profits of the Group's PRC subsidiaries in the foreseeable future.

In accordance with accounting policy set out in Note 2(q), the Group has not recognized deferred tax assets in respect of cumulative unused tax losses arising from the Group of RMB4,300,000, RMB7,742,000, RMB2,502,000 and RMB7,394,000 as of December 31, 2021, 2022 and 2023 and August 31, 2024, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB88,805,000, RMB139,900,000, RMB463,950,000 and RMB721,870,000 as at December 31, 2021, 2022 and 2023 and August 31, 2024, respectively, 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 be reversed in the foreseeable future.

(c) **Reconciliation to consolidated statements of financial position**

| | As at December 31, | | | As at |
|--|--------------------|-----------------|-----------------|--------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Net deferred tax assets recognized in the consolidated statements of financial position | - | - | - | 4,601 |
| Net deferred tax liabilities recognized in the consolidated statements of financial position | (4,466) | (23,116) | (10,137) | - |
| | <u>(4,466)</u> | <u>(23,116)</u> | <u>(10,137)</u> | <u>4,601</u> |

25 FINANCIAL INSTRUMENTS ISSUED TO AN INVESTOR

The Company, together with XCY 168 Limited, Xiaocaiyuan HK Holding Limited, Xiaocaiyuan Catering Holdings and Xiaocaiyuan Catering, entered into a convertible bond investment agreement on November 27, 2022, and a supplemental agreement on December 29, 2022, with Harvest Delicacy Infinite Corporation ("Harvest Delicacy" or the "Pre-IPO Investor" (initial public offering is defined as IPO)), pursuant to which the Company issued convertible bonds, warrants and a compensation right to the Pre-IPO Investor for a total consideration of RMB150,000,000 equivalent in USD translated at the foreign exchange rate published by the People's Bank of China on the payment date, being USD21,469,978. On February 28, 2023, the Company received the consideration from Harvest Delicacy of USD21,469,978 and those financial instruments were issued.

On December 1, 2023, in accordance with the existing agreements, Harvest Delicacy converted the convertible bonds into 242.19 series A preferred shares ("Series A Preferred Shares") of the Company. The convertible bonds were converted into 242.19 Series A Preferred Shares on December 1, 2023.

On December 18, 2023, the Company issued additional 403.66 Series A Preferred Shares for RMB250,000,000 equivalent in USD translated at the foreign exchange rate published by the People's Bank of China on the payment date to Harvest Delicacy, being USD34,963,079. The consideration of USD34,963,079 for the additional 403.66 Series A Preferred Shares was received and the Series A Preferred Shares was issued.

On January 8, 2024, the Company issued additional 107.53 Series B Preferred Shares for RMB100,000,000 equivalent in USD translated at the foreign exchange rate published by the People's Bank of China on the payment date to Harvest Delicacy, being USD13,910,721. The consideration of USD13,910,721 for the additional 107.53 Series B Preferred Shares was received and the Series B Preferred Shares were issued.

Certain key special rights attributable to the Pre-IPO Investor are summarized as follows:

Redeemable convertible preferred shares

- **Redemption rights**

Shares issued by the Company for the Series A Preferred Shares shall be redeemable by the Company upon the occurrence of certain events, including:

- (i) a qualified IPO application does not occur within 48 months from the issuance of the Series A Preferred Shares or a qualified IPO does not occur within 60 months from the issuance the Series A Preferred Shares;
- (ii) the Company didn't meet the annual profit growth target of 10% from 2022 to 2024; and
- (iii) any breach of contractual terms or misconducts by the Company or the founding shareholders of the Company.

The redemption price of the preferred shares shall equal to the higher of (i) the aggregate of the original issue price plus an amount accruing daily at 8% per annum of the original issue price plus all declared but unpaid dividends (ii) the fair value of the net assets of the Company corresponding to the proportion of shares redeemed.

- **Liquidation preference**

In the event of any liquidation including dissolution, bankruptcy, winding up of the Company or other deemed liquidation event (such as the event that results in a change in controlling shareholder of the Company or a significant change of the business of the Company, etc), preferred shareholder is entitled to receive, prior to and in preference to any distribution of any of the assets or surplus funds of the Company to founding shareholders an amount equals to the higher of (i) and (ii) below.

- (i) the aggregate of the original issue price plus an amount accruing daily at 8% per annum of the original issue price plus all declared but unpaid dividends;
- (ii) the fair value of the net assets of the Company corresponding to the proportion of shares redeemed on the date of liquidation.

- **Conversion rights**

Upon completion of the IPO, all preferred rights of the holders of preferred shares will be terminated and the preferred shares will be automatically converted to ordinary shares.

Presentation and classification

The redeemable convertible preferred shares are financial liabilities which are recognized as redemption liability, because the Company has an obligation to pay cash to the preferred shareholder upon events which are beyond the control of the Company and the preferred shareholder. The redemption liability is measured at the higher amount, on a present value basis, which the Company could be required to pay to the preferred shareholder.

On December 1, 2023, the difference between the fair value of convertible bonds of RMB121,220,000 (equivalent to USD17,048,000) and the initial carrying amount of the redemption liability arising from the redeemable convertible preferred shares of RMB162,223,000 (equivalent to USD22,815,000), being RMB41,003,000 (equivalent to USD5,767,000) is recognized in equity as "other reserve" in the consolidated statements of changes in equity.

On December 18, 2023, the difference between the proceeds received by the Company of RMB250,000,000 (equivalent to USD34,963,079) and the initial measurement of the redemption liability and compensation rights, being RMB56,137,000 is recognized in equity as "other reserve" in the consolidated statements of changes in equity.

As at December 31, 2023 and August 31, 2024, the redemption liability arising from the Pre-IPO Investments are measured at present value of the redemption price which is the higher of (i) the transaction price at initial recognition, and subsequently at amortized cost at an effective interest rate of 8% per annum plus all declared but unpaid dividends; (ii) the fair value of the net assets of the Company corresponding to the proportion of shares redeemed. The changes in carrying amount of the redemption liability, being RMB1,699,000 and RMB26,148,000 for 2023 and the eight months ended August 31, 2024, respectively, is recognized in "other net (income)/losses" in the consolidated statements of profit or loss and other comprehensive income.

During the eight months period ended August 31, 2024, the Company declared a dividend of RMB187,500,000, among which, RMB13,152,000 was declared to the preferred share holder, and the amount was settled in May 2024. In addition, in May 2024, the Company paid the amount of RMB3,149,000 to compensate the preferred share holder in respect of the profit distribution in 2023 before the investment of preferred share holder in accordance with the investment agreement.

Pre-IPO Investor's compensation right

If the market value of the Company upon an IPO is less than 130% of the Company's valuation post the Pre-IPO Investor's investment, the post-investment valuation of the Company on which the conversion ratio is based would be adjusted, such that the Pre-IPO Investor may choose any of the following compensations:

- (i) The Company issues new shares to the Pre-IPO Investor free of charge or at the lowest price allowed by law;
- (ii) The controlling shareholder of the Company transfers shares to the Pre-IPO Investor free of charge or for nominal consideration;
- (iii) The Company or the controlling shareholder of the Company provides cash compensation to the Pre-IPO Investor; or
- (iv) Other ways suggested by the Pre-IPO Investor which is permitted by laws and regulations (including but not limited to adjusting the conversion price of the Series A Preferred Shares held by the Pre-IPO Investor).

Presentation and classification

Such compensation right are financial liabilities which are recognized as derivative financial instruments and measured at fair value through profit or loss. The Company has engaged an independent valuer to determine the fair value. The detailed information is set out in Note 27(e).

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

The Company was incorporated in the Cayman Islands on October 19, 2021 with authorized share capital of USD50,000 divided into 50,000 ordinary shares with a par value of USD1.00 each.

| Ordinary Shares | Number of shares | Amount USD'000 | Share capital RMB'000 |
|---|------------------|-------------------|--------------------------|
| At October 19, 2021 (date of incorporation) | – | – | – |
| Issuance of new shares | 50,000 | 50 | 322 |
| At December 31, 2021 and December 31, 2022 | 50,000 | 50 | 322 |
| Repurchase of shares (Note) | (40,000) | (40) | (258) |
| At December 31, 2023 and August 31, 2024 | 10,000 | 10 | 64 |

Note: On February 10, 2023, 40,000 shares have been repurchased and canceled by the Company.

(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

| | Share capital RMB'000 | Exchange reserve RMB'000 | Other reserve RMB'000 | (Accumulated losses)/ retained profits RMB'000 | Total equity/ (Deficit) RMB'000 |
|--|--------------------------|-----------------------------|--------------------------|--|---------------------------------------|
| At October 19, 2021 (date of incorporation) | – | – | – | – | – |
| Issuance of shares | 322 | – | – | – | 322 |
| Other comprehensive loss | – | (3) | – | – | (3) |

| | Share capital RMB'000 | Exchange reserve RMB'000 | Other reserve RMB'000 | (Accumulated losses)/ retained profits RMB'000 | Total equity/ (Deficit) RMB'000 |
|--|-----------------------------|--------------------------------|-----------------------------|--|--|
| At December 31, 2021 and January 1, 2022 | 322 | (3) | – | – | 319 |
| Other comprehensive income | – | 29 | – | – | 29 |
| At December 31, 2022 and January 1, 2023 | 322 | 26 | – | – | 348 |
| Repurchase of shares | (258) | – | – | – | (258) |
| Profit for the year | – | – | – | 125,788 | 125,788 |
| Other comprehensive income | – | 401 | – | – | 401 |
| Financial instruments issued to an investor | – | – | (97,140) | – | (97,140) |
| Dividends declared | – | – | – | (135,276) | (135,276) |
| At December 31, 2023 and January 1, 2024 | 64 | 427 | (97,140) | (9,488) | (106,137) |
| Profit for the period | – | – | – | 209,035 | 209,035 |
| Other comprehensive loss | – | 692 | – | – | 692 |
| Financial instruments issued to an investor | – | – | (24,486) | – | (24,486) |
| Dividends declared | – | – | – | (187,500) | (187,500) |
| At August 31, 2024 | 64 | 1,119 | (121,626) | 12,047 | (108,396) |

(c) **Nature and purposes of reserves**

(i) **Capital reserve**

Capital reserve represented the paid-in capital of Xiaocaiyuan Catering during the course of the Reorganization. For the year ended December 31, 2021, as part of the Reorganization, Xiaocaiyuan Catering Holdings acquired the entire equity interests of Xiaocaiyuan Catering at a consideration of RMB21,055,000 from its then shareholders. The consideration paid to its then shareholder of Anhui Xiaocaiyuan Holding was treated as deemed distribution from the Group.

(ii) **Share-based payments reserve**

The share-based payments reserve represents the portion of the grant date fair value granted to the directors and employees of the Group that has been recognized in accordance with the accounting policy adopted for share-based payments in Note 2(p)(ii).

(iii) **Statutory reserve**

Statutory reserves are established in accordance with the PRC Company Law and the Articles of Association of the companies comprising the Group which are incorporated in the PRC.

Appropriations to the reserves were required to allocate 10% of their profits after tax until the reserves reach 50% of their respective registered capital.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) **Other reserve**

Other reserve represents the amount arising from the adjustment of financial instruments issued to an investor as described in Note 25.

(d) Dividends

Dividends of RMB150,000,000 were declared by Xiaocaiyuan Catering for the year ended December 31, 2021.

Dividends of nil, nil, RMB135,276,000 and RMB187,500,000 were declared by the Company to its shareholders for the years ended December 31, 2021, 2022 and 2023 and eight months ended August 31, 2024, respectively.

(e) Accumulated loss/retained profits

Other distribution

The Group waived amounts due from Anhui Hongjingxuan, a company under common control of the Group as a part of Reorganization, of RMB15,220,000. The transaction was treated as distribution to the shareholders.

(f) Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's overall strategy remains unchanged throughout the years ended December 31, 2021, 2022 and 2023. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities divided by its total assets, as at December 31, 2021, 2022 and 2023 and August 31, 2024 was 91%, 75%, 73% and 70% respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and rental deposits.

In determining the ECL for rental deposits and other receivables, management of the Group have taken into account the historical default experience and forward-looking information, as appropriate. Management of the Group have assessed that rental deposits and other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no ECL allowance for rental deposits and other receivables is recognized at December 31, 2021, 2022 and 2023 and August 31, 2024.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high-credit-quality, for which the Group considers to have low credit risk. The Group's exposure to credit risk arising from trade receivables is also limited, because most of the Group's trade receivables are settled through reputable payment platforms such as UnionPay, Alipay and WeChat Pay within 3 days.

The expected credit loss rate is insignificant and close to zero.

The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

In management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contracted rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

| | December 31, 2021 | | | | Total RMB'000 | Carrying amount RMB'000 |
|--------------------------------|--|---|--|------------------------------|------------------|-------------------------------|
| | Contractual undiscounted cash outflows | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | | |
| | Within 1 year or on demand RMB'000 | | | | | |
| Trade and other payables | 281,807 | - | - | - | 281,807 | 281,807 |
| Bank loan and other borrowings | 40,081 | - | - | - | 40,081 | 39,461 |
| Dividend payable | 150,000 | - | - | - | 150,000 | 150,000 |
| Lease liabilities | 166,916 | 148,662 | 231,834 | 28,633 | 576,045 | 522,231 |
| | <u>638,804</u> | <u>148,662</u> | <u>231,834</u> | <u>28,633</u> | <u>1,047,933</u> | <u>993,499</u> |

| | December 31, 2022 | | | | Total RMB'000 | Carrying amount RMB'000 |
|--------------------------------|--|---|--|------------------------------|------------------|-------------------------------|
| | Contractual undiscounted cash outflows | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | | |
| | Within 1 year or on demand RMB'000 | | | | | |
| Trade and other payables | 232,933 | - | - | - | 232,933 | 232,933 |
| Bank loan and other borrowings | 115,865 | - | - | - | 115,865 | 113,438 |
| Lease liabilities | 174,285 | 145,037 | 197,838 | 32,293 | 549,453 | 506,734 |
| | <u>523,083</u> | <u>145,037</u> | <u>197,838</u> | <u>32,293</u> | <u>898,251</u> | <u>853,105</u> |

| | December 31, 2023 | | | | Total RMB'000 | Carrying amount RMB'000 |
|----------------------------------|--|---|--|------------------------------|------------------|-------------------------------|
| | Contractual undiscounted cash outflows | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | | |
| | Within 1 year or on demand RMB'000 | | | | | |
| Trade and other payables | 280,477 | - | - | - | 280,477 | 280,477 |
| Bank loan and other borrowings | 51,151 | - | - | - | 51,151 | 50,000 |
| Lease liabilities | 232,762 | 197,017 | 354,204 | 53,573 | 837,556 | 711,131 |
| Redemption liability | 413,242 | - | - | - | 413,242 | 413,242 |
| Derivative financial instruments | 88,650 | - | - | - | 88,650 | 88,650 |
| | <u>1,066,282</u> | <u>197,017</u> | <u>354,204</u> | <u>53,573</u> | <u>1,671,076</u> | <u>1,543,500</u> |

| | August 31, 2024 | | | | | Carrying amount RMB'000 |
|----------------------------------|---|--|---|---------------------------------|------------------|----------------------------|
| | Contractual undiscounted cash outflows | | | | | |
| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | More than 5 years RMB'000 | Total RMB'000 | |
| Trade and other payables | 276,013 | – | – | – | 276,013 | 276,013 |
| Bank loan and other borrowings | 30,557 | – | – | – | 30,557 | 30,470 |
| Lease liabilities | 262,392 | 223,187 | 415,914 | 38,206 | 939,699 | 826,609 |
| Redemption liability | 535,685 | – | – | – | 535,685 | 535,685 |
| Derivative financial instruments | 66,700 | – | – | – | 66,700 | 66,700 |
| | <u>1,171,347</u> | <u>223,187</u> | <u>415,914</u> | <u>38,206</u> | <u>1,848,654</u> | <u>1,735,477</u> |

(c) **Interest rate risk**

The Group's bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Company consider the Group's exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings is not significant.

(d) **Currency risk**

The Group is exposed to currency risk which is primarily attributable to financial liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk are primarily Renminbi ("RMB") of the Company.

(i) **Exposure to currency risk**

The following table details the Group's exposure at the end of each reporting period during the Track Record Period to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB translated using the spot rate at the end of each reporting period during the Track Record Period.

| | Exposure to foreign currencies (expressed in RMB) | |
|----------------------|--|--|
| | As at December 31, 2023 RMB'000 | As at August 31, 2024 RMB'000 |
| Redemption liability | <u>413,242</u> | <u>535,685</u> |

(ii) **Sensitivity analysis**

As at December 31, 2023 and August 31, 2024, it is estimated that a general increase/decrease of 100 basis points in foreign exchange rates, with all other variables held constant, would have decrease/increase the Group's profits after tax and retained profit of RMB4,132,000 and RMB5,357,000 respectively.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the end of each reporting period. The analysis is performed on the same basis during the Track Record Period.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3: Fair value measured using significant unobservable inputs

| Fair value at December 31, 2021 | Fair value measurements as at December 31, 2021, categorized into | | |
|---------------------------------------|---|--|---|
| | Quoted prices in active market for identical assets (Level 1) RMB'000 | Significant other observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 |
| Financial assets at FVPL | | | |
| – wealth management products | 19,500 | – | 19,500 |

| Fair value at December 31, 2022 | Fair value measurements as at December 31, 2022, categorized into | | |
|---------------------------------------|---|--|---|
| | Quoted prices in active market for identical assets (Level 1) RMB'000 | Significant other observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 |
| Financial assets at FVPL | | | |
| – wealth management products | 5,000 | – | 5,000 |

The Group has engaged an external valuer to perform valuations for the financial instruments issued to the investor. A valuation report with analysis of changes in fair value measurement is prepared by the external valuer at each reporting date and is reviewed and approved by the Group's management.

| Fair value at December 31, 2023 | Fair value measurements as at December 31, 2023, categorized into | | |
|---------------------------------------|---|--|---|
| | Quoted prices in active market for identical assets (Level 1) RMB'000 | Significant other observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 |
| Financial liabilities at FVPL | | | |
| – derivative financial instruments | 88,650 | – | 88,650 |

| | Fair value measurements as at August 31, 2024, categorized into | | | |
|--------------------------------------|---|---|---|---|
| | Fair value at August 31, 2024 | Quoted prices in active market for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Financial asset at FVPL | | | | |
| - wealth management products | 225,572 | - | 225,572 | - |
| Financial liabilities at FVPL | | | | |
| - derivative financial instruments | 66,700 | - | - | 66,700 |

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

For wealth management products issued by banks that are measured at FVPL, the fair value is determined by the net asset value of the products published by the issuing banks on the balance sheet date.

Derivative financial instruments – Compensation right

The fair values of the compensation right are determined using the binomial tree model. As at December 31, 2023 and August 31, 2024, key assumptions used are set out below:

| | As at December 31, 2023 | As at August 31, 2024 |
|-------------------------|-------------------------|-----------------------|
| | RMB'000 | RMB'000 |
| Risk-free interest rate | 4.70% | 4.60% |
| Volatility | 29.32% | 24.02% |

As at December 31, 2023 and August 31, 2024, if all other variables are held constant, an(a) increase/decrease in the risk free interest rate by 1% would have (a)an (decrease)/increase impact on the Group's profit after tax as below:

| | As at December 31, 2023 | As at August 31, 2024 |
|---|-------------------------|-----------------------|
| | RMB'000 | RMB'000 |
| Risk-free interest rate increased by 1% | 471 | 1,698 |
| Risk-free interest rate decreased by 1% | (564) | (1,808) |

As at December 31, 2023 and August 31, 2024, if all other variables are held constant, an(a) increase/decrease in the volatility by 1% would have (a)an (decrease)/increase impact on the Group's profit after tax as below:

| | As at December 31, 2023 | As at August 31, 2024 |
|----------------------------|-------------------------|-----------------------|
| | RMB'000 | RMB'000 |
| Volatility increased by 1% | 40 | (259) |
| Volatility decreased by 1% | (15) | 297 |

28 COMMITMENTS

Capital commitments outstanding as at December 31, 2021, 2022 and 2023 and August 31, 2024 not provided for in the consolidated financial statements were as follows:

| | As at December 31, | | | As at |
|----------------|--------------------|---------|---------|------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Contracted for | 26,927 | 35,950 | 39,408 | 120,090 |

29 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions.

(a) Name and relationship with related parties

| Name of related party | Nature of relationship |
|---------------------------|------------------------------------|
| Wang Shugao | Controlling shareholders |
| Anhui Hongjingxuan | Entities controlled by Wang Shugao |
| Anhui Xiaocaiyuan Holding | Entities controlled by Wang Shugao |

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of highest paid employees as disclosed in Note 9, is as follows:

| | Years ended December 31, | | | Eight months ended | |
|---|--------------------------|--------------|--------------|--------------------|--------------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Short-term employee benefits | 4,085 | 6,371 | 6,847 | 3,730 | 3,400 |
| Contributions to defined contribution retirement plan | 119 | 125 | 147 | 123 | 142 |
| | <u>4,204</u> | <u>6,496</u> | <u>6,994</u> | <u>3,853</u> | <u>3,542</u> |

(c) Transactions with related parties

The Group entered into the following material related party transactions for the years ended December 31, 2021, 2022 and 2023 and eight months ended August 31, 2024:

| | Years ended December 31, | | | Eight months ended | |
|-------------------------------|--------------------------|---------------|----------|--------------------|----------|
| | 2021 | 2022 | 2023 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Non-trade related: | | | | | |
| Amounts borrowed from: | | | | | |
| Anhui Xiaocaiyuan Holding | 12,200 | 28,312 | - | - | - |
| | <u>12,200</u> | <u>28,312</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Amounts repaid to: | | | | | |
| Anhui Xiaocaiyuan Holding | 6,468 | 58,144 | - | - | - |
| | <u>6,468</u> | <u>58,144</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(d) Balance with related parties

| | As at December 31, | | | As at |
|---------------------------|--------------------|---------------|----------|------------|
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Trade related: | | | | |
| Anhui Hongjingxuan | 28,332 | 36,567 | – | – |
| Anhui Xiaocaiyuan Holding | 6,598 | – | – | – |
| | <u>34,930</u> | <u>36,567</u> | <u>–</u> | <u>–</u> |
| | | | | |
| | | | | |
| | As at December 31, | | | As at |
| | 2021 | 2022 | 2023 | August 31, |
| | RMB'000 | RMB'000 | RMB'000 | 2024 |
| | | | | RMB'000 |
| Non-trade related: | | | | |
| Anhui Xiaocaiyuan Holding | 49,832 | – | – | – |
| | <u>49,832</u> | <u>–</u> | <u>–</u> | <u>–</u> |

Payables to the Anhui Hongjingxuan mainly related to the purchase of inventories and certain property, plant and equipment paid on behalf by Anhui Hongjingxuan.

Non-trade related payables to the Anhui Xiaocaiyuan Holding mainly represented the consideration payable of RMB20,000,000 in relation to the acquisition of the entire equity interests of Xiaocaiyuan Catering and other payables of RMB29,832,000. Non-trade related payables are unsecured, interest-free and have no fixed-term of repayment. These balances were fully settled in 2022.

(e) Bank loans guaranteed by related parties

The detailed information of bank loans guaranteed by related parties is set out in Note 18.

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Group and ultimate controlling party of the Group to be Mr. Wang Shugao.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIODS

Up to the date of issue of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the year beginning January 1, 2024 and which have not been adopted in preparing the consolidated financial statements. These developments include the following which may be relevant to the Group.

| | Effective for accounting periods beginning on or after |
|--|--|
| Amendments to IAS 21, Lack of exchangeability | 1 January 2025 |
| Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments | 1 January 2026 |
| IFRS 18, Presentation and Disclosure in Financial Statements Basis for conclusions on IFRS 18 Illustrative examples on IFRS 18 | 1 January 2027 |
| IFRS 19, Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.