上海 小南国
SHANGHAI XNG HOLDINGS LIMITED

Shanghai XNG Holdings Limited
上海小南国控股有限公司
Incorporated in the Cayman Islands with limited liability
Stock Code: 3666

SINCE. 1987

上海 小南国
SHANGHAI MIN

2024 ANNUAL REPORT

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SHANGHAI MIN

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Gu Dorson *(Chairman)* *Note 1* *(retired on 28 June 2024 and appointed on 21 January 2025)*
Ms. Wang Huili *Note 2* *(re-designated on 28 June 2024 and resigned on 21 January 2025)*
Ms. Ping Guoqin *Note 3* *(resigned on 28 June 2024)*

Non-executive Directors

Ms. Gu Lina *(appointed on 21 January 2025)*
Ms. Wu Wen *(resigned on 21 January 2025)*

Independent non-executive Directors

Mr. Leung Yiu Cho
Mr. Zhang Zhenyu
Ms. Hu Xiaoqi *(appointed on 28 June 2024)*
Ms. Li Yuping *Note 4* *(resigned on 28 June 2024)*

AUTHORIZED REPRESENTATIVES

Ms. Chan Yuk Wing *(appointed on 30 April 2024)*
Mr. Gu Dorson *Note 1* *(ceased to act on 28 June 2024 and appointed on 21 January 2025)*
Ms. Chu Cheuk Ting *(resigned on 30 April 2024)*
Ms. Wang Huili *Note 2* *(appointed on 28 June 2024 and ceased to act on 21 January 2025)*

AUDIT COMMITTEE

Mr. Leung Yiu Cho *(Chairman)*
Mr. Zhang Zhenyu
Ms. Hu Xiaoqi *(appointed on 28 June 2024)*
Ms. Li Yuping *Note 4* *(resigned on 28 June 2024)*

REMUNERATION COMMITTEE

Mr. Zhang Zhenyu *(Chairman) (appointed on 28 June 2024)*
Mr. Leung Yiu Cho
Ms. Hu Xiaoqi *(appointed on 28 June 2024)*
Mr. Gu Dorson *Note 1* *(resigned on 28 June 2024 and appointed on 21 January 2025)*
Ms. Wang Huili *Note 2* *(appointed on 28 June 2024 and resigned on 21 January 2025)*
Ms. Li Yuping *Note 4* *(resigned on 28 June 2024)*

NOMINATION COMMITTEE

Mr. Gu Dorson *(Chairman)* *Note 1* *(resigned on 28 June 2024 and appointed on 21 January 2025)*
Mr. Leung Yiu Cho
Mr. Zhang Zhenyu
Ms. Hu Xiaoqi *(appointed on 28 June 2024)*
Ms. Li Yuping *Note 4* *(resigned on 28 June 2024)*
Ms. Wang Huili *Note 2* *(appointed on 28 June 2024 and resigned on 21 January 2025)*

RISK MANAGEMENT COMMITTEE

Mr. Gu Dorson *(Chairman)* *Note 1* *(resigned on 28 June 2024 and appointed on 21 January 2025)*
Mr. Leung Yiu Cho
Mr. Zhang Zhenyu
Ms. Hu Xiaoqi *(appointed on 28 June 2024)*
Ms. Li Yuping *Note 4* *(resigned on 28 June 2024)*
Ms. Wang Huili *Note 2* *(appointed on 28 June 2024 and resigned on 21 January 2025)*

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2401B, 24/F
Arion Commercial Centre
2-12 Queen's Road West
Sheung Wan, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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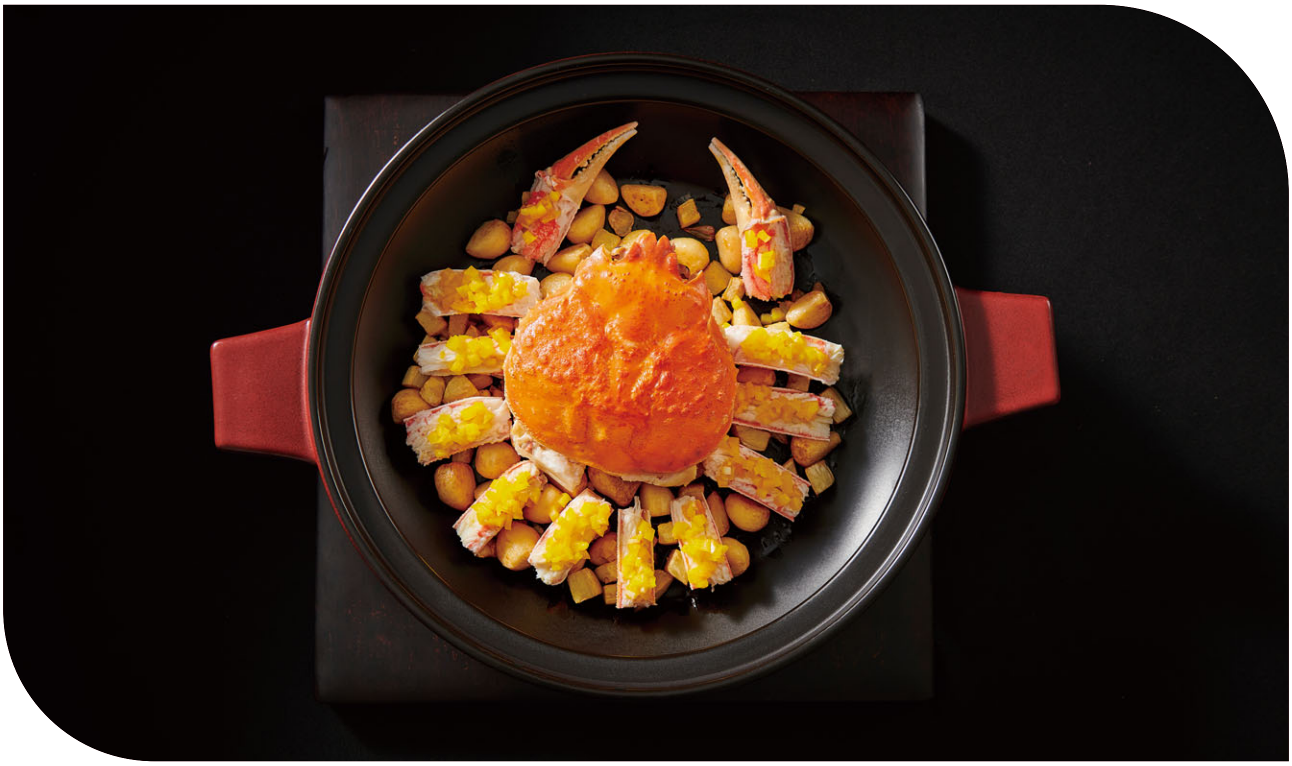
Building A, No. 100, Zunyi Road
Changning District, Shanghai
the People's Republic of China

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands



HONG KONG SHARE REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISERS
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Raymond Siu & Lawyers
Units 1302-3 (Reception) & 1802, Ruttonjee House
11 Duddell Street
Central, Hong Kong

As to Cayman Island law
Conyers Dill & Pearman
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

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

STOCK CODE
03666

COMPANY'S WEBSITE
www.xngholdings.com

INVESTOR RELATIONS
Email: ir@xngholdings.com

Notes:

1 Mr. Gu Dorson ("**Mr. Gu**") has been appointed as an executive Director, an authorized representative, the chairman of the Board, a member of the Remuneration Committee and the chairman of each of the Nomination Committee and the risk management committee (the "**Risk Management Committee**"), with effect from 21 January 2025. In accordance with Article 83(3) of the Articles of Association, Mr. Gu shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Mr. Gu will retire at the 2025 AGM and, being eligible and willing to, offer himself for re-election at the 2025 AGM.

Upon the conclusion of the 2024 AGM, Mr. Gu decided not to stand for re-election at the 2024 AGM and he would retire from his office as an executive Director upon conclusion of the 2024 AGM. Meanwhile, Mr. Gu ceased to be an authorized representative of the Company, the chairman of the Board, the chairman of each of the Nomination Committee, the executive committee and the Risk Management Committee, and a member of the Remuneration Committee with effect from the conclusion of the 2024 AGM. For details, please refer to the announcement of the Company dated 27 June 2024.

2 Ms. Wang Huili ("**Ms. Wang**") resigned as an executive Director, the chairlady of the Board, ceased to act as authorized representative of the Company, the chairlady of the Nomination Committee and the Risk Management Committee respectively and a member of the Remuneration Committee with an aim to devoting more time to other commitments and pursuits with effect from 21 January 2025. For details, please refer to the announcement of the Company dated 21 January 2025.

Upon the conclusion of the 2024 AGM and following the retirement of Mr. Gu with effect from the conclusion of 2024 AGM, Ms. Wang, the non-executive Director was re-designated as an executive Director, appointed as an authorized representative pursuant to Rule 3.05 of the Listing Rules, appointed as the chairlady of the Board, he chairlady of the Nomination Committee and the Risk Management Committee respectively and a member of the Remuneration Committee with effect from the conclusion of the 2024 AGM. For details, please refer to the announcement of the Company dated 27 June 2024.

3 Ms. Ping Guoqin ("**Ms. Ping**"), being advanced in retirement age, had wished and decided to retire from her office as an executive Director upon conclusion of the 2024 AGM. For details, please refer to the announcement of the Company dated 27 June 2024.

4 Due to having reached retirement age, Ms. Li Yuping ("**Ms. Li**") had tendered her resignation as an independent non-executive Director with effect from the conclusion of the 2024 AGM. Meanwhile, Ms. Li ceased to be the chairlady of the Remuneration Committee, a member of the Audit Committee, the Nomination Committee and the Risk Management Committee upon the conclusion of the 2024 AGM. For details, please refer to the announcement of the Company dated 27 June 2024.

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2024	2023	increase/(decrease)
Revenue (RMB'000)	**314,356**	450,539	(30.2%)
Gross profit[1] (RMB'000)	**203,462**	298,992	(32.0%)
Gross margin[2]	**64.7%**	66.4%	(1.7%)
Loss for the year (RMB'000)	**(85,059)**	(47,170)	80.3%
Net loss margin[3]	**(27.1%)**	(10.5%)	16.6%
Loss per Share – Basic (RMB cents)	**(3.9)**	(2.1)	85.7%
Total assets (RMB'000)	**137,747**	256,010	(46.2%)
Net assets (RMB'000)	**(159,627)**	(73,752)	116.4%
Cash and cash equivalents (RMB'000)	**3,689**	20,658	(82.1%)
Net cash[4] (RMB'000)	**(17,711)**	(4,342)	307.9%
Account receivable turnover days[5] (days)	**6.8**	6.0	13.3%
Account payable turnover days[6] (days)	**210.9**	129.4	63.0%
Inventory turnover days[7] (days)	**17.5**	15.9	10.1%
Cash cycle[8] (days)	**(186.7)**	(107.5)	73.7%
Gearing ratio[9]	**430.8%**	202.9%	227.9%
Return on total asset[10]	**(43.2%)**	(14.9%)	28.3%
Number of restaurants[11] (as at 31 December)	**20**	29	(31.0%)

Notes:

1. The calculation of gross profit is based on revenue less cost of sales.
2. The calculation of gross margin is based on gross profit divided by revenue.
3. Net loss margin is calculated as loss for the year divided by revenue.
4. Net cash represents cash and cash equivalents minus interest-bearing bank loans.
5. Equivalent to 365/ (revenue/annual average receivables).
6. Equivalent to 365/ (cost of sales/annual average payables).
7. Equivalent to 365/ (cost of sales/annual average inventories).
8. Equivalent to account receivable turnover days + inventory turnover days – account payable turnover days.
9. Equivalent to net debts over capital and net debts.
10. Equivalent to net loss over annual average total assets.
11. The number of restaurants as at 31 December 2024 and 31 December 2023 excluding licenced stores.

DIRECTORS' REPORT

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands on 2 February 2010 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The registered office of the Company is located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Shares were listed (the "**Listing**") on the Main Board of the Stock Exchange on the Listing Date.

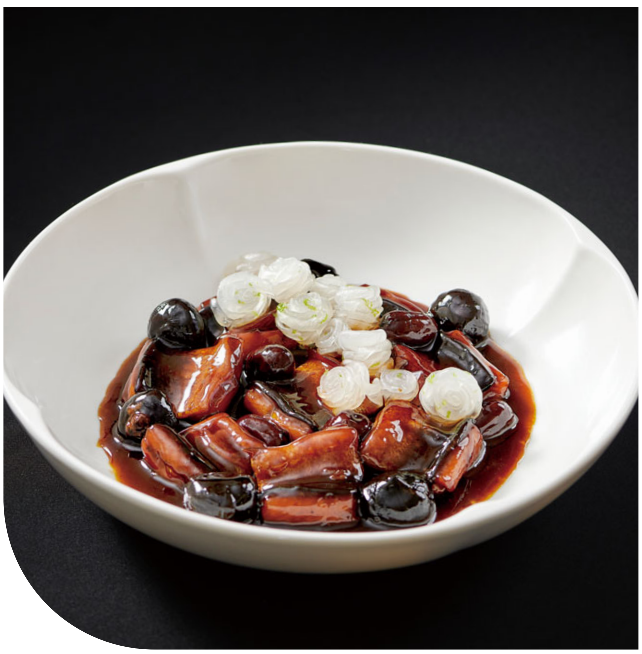
PRINCIPAL ACTIVITY

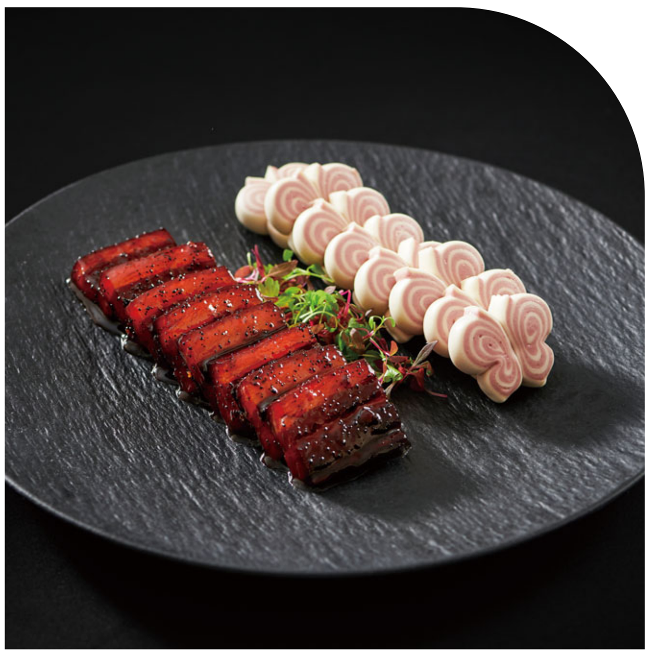
The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of restaurant chain stores in Mainland China and Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year. Particulars of the Company's principal subsidiaries are set out in note 44 to the consolidated financial statements.

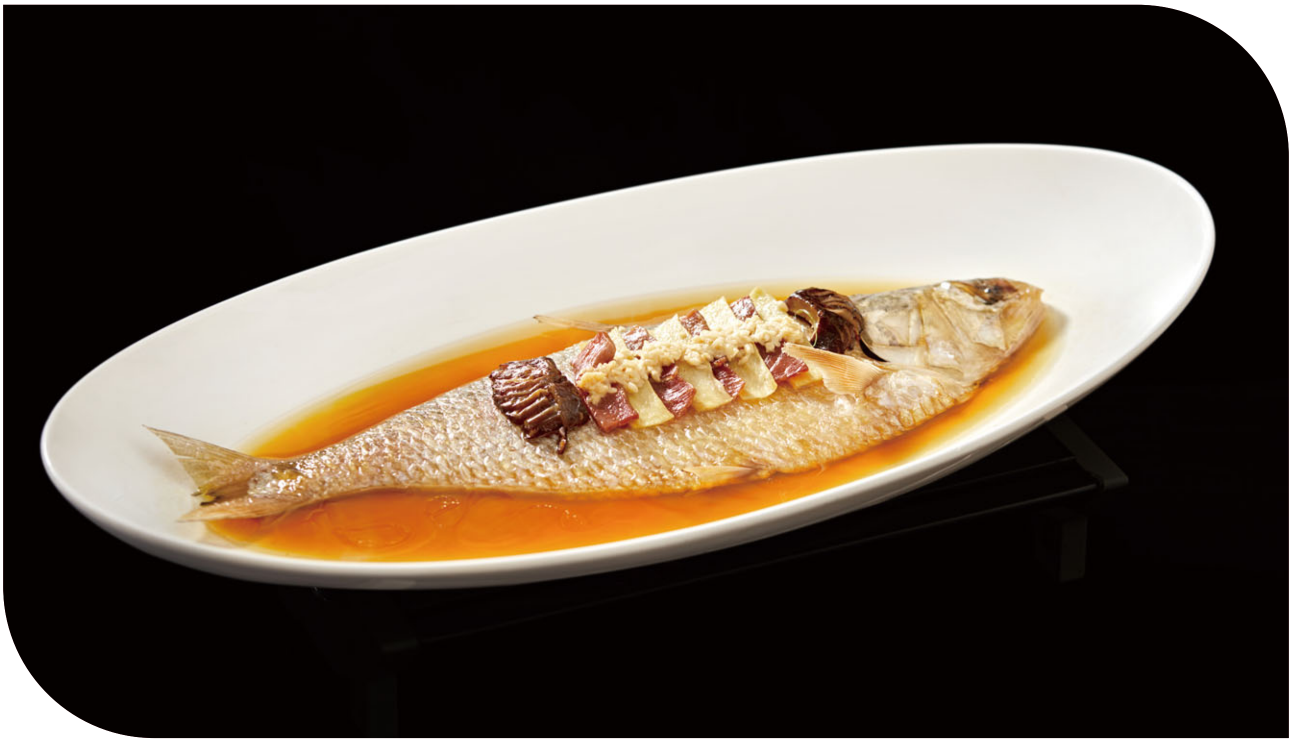
RESULTS AND DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

The Group's results for the year ended 31 December 2024 together with the Company's and the Group's financial conditions as of the date are set out in page 49 to page 51 of the consolidated financial statements.







CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements of the Shareholders to attend the 2025 AGM to be held on 27 June 2025, the register of members of the Company will be closed from 24 June 2025 to 27 June 2025, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend the 2025 AGM, all Share transfers, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrar in Hong Kong (the "**Hong Kong Share Registrar**"), Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 23 June 2025.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, none of the Group's sales to the five largest customers amounted to 30% or more of the Group's revenue. In 2024, total purchases attributed to the five largest suppliers and the largest supplier of the Group were approximately 39.1% and 16.1% of the total purchases respectively.

During the year, none of the Directors, their close associates or any shareholders who to the best knowledge of the Directors own 5% interest above of the issued shares of the Company has any beneficial interest in any of the Group's five largest suppliers and customers.

SHARE OPTION SCHEME

Details of the movements of the Company's share capital and share options are set out in notes 34 and 36 to the consolidated financial statements respectively.

The Company adopted the Share Option Scheme which became effective on 4 July 2012. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

The Board may, at its absolute discretion, offer an option to eligible participants to subscribe for the Shares at an exercise price and subject to other terms under the Share Option Scheme. Subject to the restrictions under the Listing Rules, eligible participants include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("**Affiliate**"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000 Shares, being 10% of the total number of Shares in issue at the time when dealings of the Shares first commenced on the Stock Exchange and 6.67% of the total number of Shares in issue as at the date of this annual report. The exercise price shall be determined and notified to the eligible participants by the Board and shall not be less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of such share option (which must be a business day); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of such share option; and (iii) the nominal value of the Shares on the date of grant. An option may be exercised during the applicable exercise period as may be designated by the Board, which shall be not more than 10 years from the date of grant of option. An offer shall be accepted with a duly signed offer letter together with a non-refundable payment of HK$10 (or such other sum in any currency as the Board may determine).

The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme was in force for a period of 10 years from 4 July 2012 and had expired on 4 July 2022. Therefore, no further option was available for grant under the Share Option Scheme as at 1 January 2024 and 31 December 2024. During the Reporting Period, those outstanding options granted under the Share Option Scheme continued to be subject to the terms of the Share Option Scheme.

The summary of the share options granted under the Share Option Scheme that were still outstanding as at 31 December 2024 are as follows:

Name of the grantee	As at 1 January 2024 No. of share options outstanding	During the year ended 31 December 2024 No. of share options granted	During the year ended 31 December 2024 No. of share options exercised	During the year ended 31 December 2024 No. of share options cancelled	During the year ended 31 December 2024 No. of share options lapsed	As at 31 December 2024 No. of share options outstanding
Directors						
Mr. Zhang Zhenyu[1]	500,000	–	–	–	(500,000)	–
Mr. Lui Wai Ming[2]	1,000,000	–	–	–	(1,000,000)	–
Consultant						
Dr. Wu Chun Wah[3]	1,000,000	–	–	–	(1.000.000)	–
Employees	5,187,662	–	–	–	(3,504,302)	1,683,360
Directors, consultant and employees (in aggregate)	7,687,662	–	–	–	(6,004,302)	1,683,360[4]

Details regarding the number of options, date of grant, exercise period and exercise price of those options that were still outstanding as at 31 December 2024 are set out below:

Participants	Date of grant of option	Exercise period of option	Vesting period	Exercise Price of Option HK$ per share	Closing price of the Shares immediately before the date of grants	No. of outstanding option as at 31 December 2024
Employees	1 January 2015	1 January 2016 to 31 December 2024	25% on each of 1 January 2016, 1 January 2017, 1 January 2018 and 1 January 2019	1.29	0.992	226,800
	1 January 2015	1 January 2016 to 31 December 2024	50% on each of 1 January 2016 and 1 January 2017	0.99	0.992	1,456,560
Total						1,683,360[4]

Notes: 1. The share options granted to Mr. Zhang Zhenyu on 21 October 2019 have expired on 12 October 2024.

2. Mr. Lui Wai Ming resigned as an independent non-executive Director on 20 October 2023. The share options held by him have expired on 31 December 2024.

3. The share options granted to Dr. Wu Chun Wah on 21 October 2019 have expired on 20 October 2024.

4. Those outstanding options were not exercised before the expiry of the exercise period and have lapsed.

There is no performance target for those share options.

Note: Affected by the rights issue of the Company in July 2016 (the "**Rights Issue**") and the details of exercise price of the options after adjustment upon the Rights Issue are set out on page 104 of this annual report.

SHARE AWARD SCHEMES

2019 Share Award Scheme

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

The participants involve any employee of any member of the Group. The total number of shares available for grant under the 2019 Share Award Scheme before its expiry was 221,303,100 Shares, representing 10% of the Shares in issue as at the date of this annual report. The maximum number of Shares that may be granted to an elected employee at any time or in aggregate (the "**Individual Limit**") shall not exceed 1% of the issued share capital of the Company, i.e. 22,130,310 award shares. During the Reporting Period, the executive committee, comprising of Mr. Gu Dorson and Ms. Ping Guoqin, may determine the vesting schedule and vesting date of any award. The award shares are transferred to the grantee at nil consideration and no payment is required to be made by the grantee upon acceptance of the award shares. The executive committee may from time to time cause to be paid an amount to the trustee for the purchase or subscription of award shares.

As disclosed in the paragraph headed "**CHANGES OF DIRECTORS AND SENIOR MANAGEMENT**" on page 33 of this annual report, both Mr. Gu Dorson and Ms. Ping Guoqin had ceased to be executive Directors and members of the executive committee of the Company with effect from the conclusion of the 2024 AGM. For details, please refer to the announcement of the Company dated 27 June 2024. As such, Mr. Gu and Ms. Ping did not have the capacity to act as the members of the executive committee thereafter. The Board has taken over the responsibility for the operation of 2019 Share Award Scheme.

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

The total number of Shares available under the revised 2019 Share Award Scheme before its expiry was 221,303,100 Shares, representing 10% of the Shares in issue as at the date of this annual report.

During the Reporting Period, there was no awards granted, vested, cancelled or lapsed under the 2019 Share Award Scheme. There was no outstanding unvested awards.

The awards are not subject to any performance target.

The number of awards available for grant under the 2019 Share Award Scheme as at 1 January 2024 and 31 December 2024 was 10,069,294 and nil respectively.

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

2021 Share Award Scheme

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

The participants involve any employee of the Group. The total number of Shares available for grant under the 2021 Share Award Scheme before its expiry was 221,303,100 Shares, representing 10% of the Shares in issue as at the date of this annual report. The maximum number of Shares which may be granted to a selected employee at any time or in aggregate may not exceed 1% of the Company's issued share capital, i.e. 22,130,310 award shares. The executive committee may determine the vesting schedule and vesting date of any award. The awarded shares are transferred to the grantees at nil consideration and no payment is required to be made by the grantees upon acceptance of the award shares. The executive committee may from time to time cause to be paid an amount to the trustee for the purchase or subscription of Shares.

As disclosed in the paragraph headed "**2019 SHARE AWARD SCHEME**" on page 10 of this annual report, since Mr. Gu and Ms. Ping ceased to be Directors and members of the executive committee with effect from the conclusion of the 2024 AGM, the memberships of executive committee is currently vacant. The executive committee is not a mandatory committee under the Listing Rules. The Company has no concrete plan for re-setting up the executive committee. As such, the Board has taken over the responsibility for the operation of the 2021 Share Award Scheme.

During the Reporting Period, there was no award shares granted, vested, cancelled or lapsed under the 2021 Share Award Scheme. There was no outstanding unvested awards.

The number of award shares available for grant under the 2021 Share Award Scheme as at 1 January 2024 and 31 December 2024 was 221,303,100 and nil respectively.

The number of Shares that may be issued in respect of all share options and share awards granted under the Share Option Scheme, the 2019 Share Award Scheme and the 2021 Share Award Scheme during the Reporting Period represented nil% of the weighted average number of Shares in issue for the said period (i.e. 2,213,031,000 Shares). Save for the aforesaid schemes, the Company has not adopted any other share schemes.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associate had material interest in any business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2024.

BUSINESS REVIEW

For the year ended 31 December 2024, due to the recovery of the overall consumption environment and a relative increase in the dine-out frequency of consumers, the Group has been constantly further improving its traditional Shanghainese cuisine with an aim to satisfy the new generation's appetites. Possible risks and uncertainties are inevitable and may cause the Group to face some unfavourable and tough operational environment. Those possible risks and uncertainties are disclosed in "**Management Discussion and Analysis**" section of this annual report, and the financial risk management objectives and policies of the Group are set out in note 40 to the consolidated financial statements. An analysis of the Group's performance using financial key performance indicators is shown in "**Financial Highlights**" section of this annual report.

Environmental policies and performance

The Group believes that due performance of environmental responsibility would definitely improve the effectiveness of the utilisation of the Group's resources and the quality of customer services, and would boost up economic efficiency to the Group. The Group complies with all the applicable environmental laws and regulations of the regions where the Group has business operations. The Group has established the environmental protection actions, including employing the environmentally-friendly takeaway packing material, setting-up of oil-water separator, carrying out classification of restaurant wastes and spent oil cooking oils in order to minimize the environmental pollutions.

Compliance with the relevant laws and regulations

The operations of the Group are mainly carried out by the subsidiaries of the Company established in Mainland China and Hong Kong. The Company is incorporated in the Cayman Islands with its shares listed on the Stock Exchange. Therefore, the establishments and operations of the Group are subject to the relevant laws, rules and regulations of the Cayman Islands, the Mainland China and Hong Kong. In particular, compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in the Cayman Islands, Mainland China and Hong Kong in all material aspects. Any changes in relation to the applicable laws, rules and regulations shall be drawn to the attention of relevant employees from time to time.

Key relationships with stakeholders

Employees

The Group respects its employees and endeavours to provide better working conditions for its employees. In accordance with the requirements of the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China and the Employment Ordinance in Hong Kong, the Company provides and maintains statutory benefits for its employees, including but not limited to mandatory provident fund, basic medical insurance and labour insurance. Employees are entitled to statutory holidays. The Group has also established the policies for remuneration of employees so as to provide the fair remuneration packages for the employees under systemic remuneration management. The Group provides equal opportunity for all the employees in respect of promotion, appraisal, training, development and other aspects to build up a sound career platform for employees.

Customers

The Group focuses on optimizing the quality of food, beverage and catering services to enhance customer satisfaction, details of which are elaborated in the "**Environmental, Social and Governance Report**" of the Company.

Suppliers

The Group works with the suppliers with the same objectives and develops mutually-successful working relationships with the key suppliers. The Group strictly follows its policy, which is constructed under the Group's corporate culture and professional standard in the selection of suppliers and purchasing process. Although the cost of purchase is a major consideration in selecting suppliers, the Group would also consider the suppliers' corporate social responsibility performances, which include the suppliers' performances on the aspects of legal and regulatory compliance and business ethics etc.

DEBENTURES

For the year ended 31 December 2024, the Company did not issue any debentures.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, for the year ended 31 December 2024, the Company has not entered into any equity-linked agreement.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. Also, the Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors and senior management.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2024 are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association and relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Movements in the reserves of the Company are set out in note 45 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

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

DIRECTORS

During the Reporting Period and up to the date of this annual report, the Board comprised of the following Directors:

Executive directors

Mr. Gu Dorson *(Chairman) (retired on 2024 AGM and was appointed on 21 January 2025)*
Ms. Ping Guoqin[1] *(resigned on 28 June 2024)*
Ms. Wang Huili[2] *(re-designated as an executive Director and resigned on 21 January 2025)*

Non-executive directors

Ms. Gu Lina[3] *(appointed on 21 January 2025)*
Ms. Wu Wen[4] *(resigned on 21 January 2025)*

Independent non-executive directors

Mr. Leung Yiu Cho
Mr. Zhang Zhenyu
Ms. Hu Xiaoqi[5] *(appointed on 28 June 2024)*
Ms. Li Yuping[6] *(resigned on 28 June 2024)*

Notes:

1. Ms. Ping Guoqin, being advanced in retirement age, had wished and decided to retire from her office as an executive Director upon conclusion of the 2024 AGM.

2. Ms. Wang Huili was re-designated from non-executive Director to an executive Director upon conclusion of the 2024 AGM and resigned as an executive Director, the chairlady of the Board, ceased to act as authorized representative of the Company, resigned the chairlady of the Nomination Committee and the Risk Management Committee respectively and a member of the Remuneration Committee with an aim to devoting more time to other commitments and pursuits with effect from 21 January 2025.

3. Ms. Gu Lina was appointed as a non-executive Director on 21 January 2024.

4. Ms. Wu Wen resigned as a non-executive Director on 21 January 2025 in order to devote more time to her personal affairs and career commitments.

5. Ms. Hu Xiaoqi, with the recommendation of the Nomination Committee, was appointed as an independent non-executive Director with effect from the conclusion of 2024 AGM.

6. Ms. Li Yuping resigned as an independent non-executive Director with effect from the conclusion of the 2024 AGM.

7. Mr. Gu Dorson had decided not to stand for re-election of the 2024 AGM and Mr. Gu retired from his office as an executive Director upon the conclusion of 2024 AGM, with an aim to devoting more time to have other commitments and pursuits. On 21 January 2025, Mr. Gu was appointed as an executive Director, authorized representative of the Company and chairman of the Board.

The Company has received the annual confirmation from each of the independent non-executive Directors about his/her independence in accordance with Rule 3.13 of the Listing Rules and considers each of them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of Directors of the Company are set out on pages 44 to 45 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company. Mr. Leung Yiu Cho was appointed as an independent non-executive Director on 20 October 2023. The appointment of Mr. Leung Yiu Cho is for a term of 3 years from 20 October 2023; the appointment of Mr. Zhang Zhenyu as an independent non-executive Director is for a term of 3 years from 22 January 2022; the appointment of Ms. Li Yuping as an independent non-executive Director is for a term of 3 years from 22 January 2022. Ms. Li Yuping resigned as an independent non-executive Director on 28 June 2024. Ms. Hu Xiaoqi was appointed as an independent non-executive Director on 28 June 2024. The appointment of Ms. Hu Xiaoqi is for a term of 3 years from 28 June 2024. Ms. Wang Huili was appointed as non-executive Director for a term of 3 years from 22 January 2022 and re-designated as an executive Director for a term of 3 years from 24 June 2024 and chairlady of the Board with effect from 28 June 2024. Ms. Wang Huili resigned as an executive Director and ceased to act as authorized representative of the Company, resigned as a chairlady of the Board as well as resigned from her office in all of mandatory committees' member or chairlady on 21 January 2025. The appointment of Ms. Wu Wen as non-executive Director is for a term of 3 years from 22 January 2022; Ms. Wu Wen resigned as non-executive Director on 21 January 2025. Ms. Gu Lina was appointed as non-executive Director on 21 January 2025. The appointment of Ms. Gu Lina is for a term of 3 years from 21 January 2025; The appointment of Ms. Ping Guoqin as an executive Director was for a term of 3 years from 25 November 2021. Ms. Ping Guoqin resigned as an executive Director on 28 June 2024. Mr. Gu Dorson was appointed as an executive Director for a term of 3 years from 25 November 2021. Mr. Gu Dorson had previously retired as an executive Director on 28 June 2024. On 21 January 2025, Mr. Gu Dorson was appointed as an executive Director and chairman of the Board for a term of 3 years.

Under the service contracts, all the Directors shall be automatically renewed for successive periods of 3 years until terminated in accordance with the terms and conditions of the respective service contract or until either party giving at least 3-month written notices to the other party (subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Articles of Association).

No Director offering for re-election at the 2025 AGM has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than the normal statutory compensation).

EMOLUMENT POLICY

The Company's emolument policy is to ensure that the remuneration offered to employees, including executive Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of independent non-executive Directors are also determined by reference to their duties and responsibilities, the recommendation made by the Remuneration Committee and the prevailing market conditions. The remuneration packages of executive Directors are also determined by reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Director.

The emolument of the Directors and the five highest paid individuals is set out in notes 12 and 13 to the consolidated financial statements, respectively.

Details of the employee retirement benefits of the Company are set out in note 33 to the consolidated financial statements.

Details of share capital and share-based payment are set out in notes 34 and 36 to the consolidated financial statements, respectively.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Except for those disclosed in note 43 to the consolidated financial statements, for the year ended 31 December 2024, none of the Directors had any direct or indirect material interest in any contracts, transactions or arrangements of significance in relation to the Group's business to which any of the Company, its holding companies, its subsidiaries or its fellow subsidiaries was a party.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or its any associated corporations (within the meaning of Part XV of the SFO, which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to notify to the Company and the Stock Exchange pursuant to the Model Code, are set out as follows:

Name of Directors	Nature of Interest	Number of Shares/ Underlying Shares[(1)]	Approximate percentage of shareholding
Wu Wen[2]	Interest in controlled corporation	62,592,681 (L) [(2)]	2.83%
	Beneficial owner	24,228,000 (L)	1.09%
Wang Huili[3]	Interest in controlled corporation	12,260,625 (L) [(3)]	0.55%
	Beneficial owner	126,150,000 (L)	5.70%

Notes:

1. "L" denotes long position in the Shares held by the Directors.

2. The relevant Shares were held by Well Reach Limited. Ms. Wu Wen, a non-executive Director, owned the entire issued share capital of Brilliant South Limited, which beneficially owned 100% of the equity interest in Well Reach Limited. Therefore, Ms. Wu Wen was deemed to be interested in the Shares held by Well Reach Limited under the SFO.

3. The relevant Shares were held by Fast Thinker Limited. Ms. Wang Huili, a non-executive Director, owned the entire issued share capital of Ever Project Investments Limited, which beneficially owned 100% of the issued share capital in Fast Thinker Limited. Therefore, Ms. Wang Huili was deemed to be interested in the Shares held by Fast Thinker Limited under the SFO.

4. The percentage of shareholding was calculated based on the Company's total number of issued shares as at 31 December 2024 (i.e. 2,213,031,000 Shares).

Save as disclosed above, as at 31 December 2024, none of the Directors or the chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2024, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
Alpadis Group Holding AG (formerly known as Alpadis Group Holding SA)	Interest in controlled corporation	655,087,500 (L) [2]	29.60%
Alpadis Trust (HK) Limited	Interest in controlled corporation	655,087,500 (L) [2]	29.60%
ESSEIVA Alain	Interest in controlled corporation	655,087,500 (L) [3]	29.60%
HEER Dominik Philipp	Interest in controlled corporation	655,087,500 (L) [3]	29.60%
HEER Krinya	Interest of spouse	655,087,500 (L) [4]	29.60%
TEO Wei Lee	Interest of spouse	655,087,500 (L) [5]	29.60%
Gu Dorson	Beneficial owner	221,257,550 (L) [6]	10.00%
Shen Xia	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [7]	7.59%
Elite Converge Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [7]	7.59%
Sunshine Property I Limited	Beneficial owner	167,887,000 (L)	7.59%
		167,887,000 (S) [7]	7.59%
Shining Capital Holdings L.P.	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [7]	7.59%
Shining Capital Management Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [7]	7.59%
Shining (BVI) Limited	Interest in controlled corporation	167,887,000 (L)	7.59%
		167,887,000 (S) [7]	7.59%
Li Shuming	Beneficial owner	164,763,575 (L)	7.44%

Notes:

(1) The letter "L" denotes long position in the shares and the letter "S" denotes short position in the shares.

(2) The underlying shares were held by Alpadis Trust (HK) Limited as a professional trustee.

(3) Mr. ESSEIVA Alain and Mr. HEER Dominik Philipp indirectly held 53.34% and 40.60% of the shares of Alpadis Trust (HK) Limited respectively.

(4) Mrs. HEER Krinya is the spouse of Mr. HEER Dominik Philipp. Under the SFO, Mrs. HEER is deemed to be interested in the same number of shares of the Company which Mr. HEER Dominik Philipp is interested in.

(5) Ms. TEO Wei Lee is the spouse of Mr. ESSEIVA Alain. Under the SFO, Ms. TEO is deemed to be interested in the same number of shares of the Company which Mr. ESSEIVA Alain is interested in.

(6) On 25 November 2021, 110,651,550 awarded shares were granted to Mr. Gu Dorson pursuant to the 2019 Share Award Scheme.

(7) The 167,887,000 Shares were held by Sunshine Property I Limited. Mr. Weng Xiangwei owned the entire issued share capital of Shining (BVI) Limited, which beneficially owned 50% of the issued share capital of Shining Capital Management Limited. The remaining of 50% equity interest held by Elite Converge Limited, of which Mr. Shen Xia owned 100% of the issued share capital. Shining Capital Management Limited in turn beneficially owned the entire issued share capital of Shining Capital Holdings L.P., which in turn beneficially owned the entire issued share capital of Sunshine Property I Limited. Therefore, Mr. Weng Xiangwei, Mr. Shen Xia, Elite Converge Limited, Shining (BVI) Limited, Shining Capital Management Limited and Shining Capital Holdings L.P. were deemed to be interested in the Shares held by Sunshine Property I Limited under the SFO.

(8) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at 31 December 2024 (i.e. 2,213,031,000 Shares).

Save as disclosed above, as at 31 December 2024, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of the Group's Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Group.

DONATIONS

The Company did not contribute any charitable and other donations during the year ended 31 December 2024.

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

For the year ended 31 December 2024, neither the Company nor any of its subsidiaries or consolidated affiliated entities has purchased, sold or redeemed any of the Company's listed securities (including any treasury shares). As of 31 December 2024, the Company did not hold any treasury shares.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Reporting Period.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "**Related Party Transactions**" on page 122 of this annual report, none of the Company or any of its subsidiaries entered into any contracts of significance with the controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor was there any contracts of significance for the provision of services to the Group by the controlling shareholder or any of its subsidiaries.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

For the year ended 31 December 2024, there were no connected transactions or continuing connected transactions which are required to be disclosed under Chapter 14A of the Listing Rules.

The related party transactions with companies owned by the controlling shareholder also constitute connected transactions or continuing connected transactions (which are fully exempted) as defined in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued Shares under the Listing Rules.

AUDITOR

The consolidated financial statements were audited by Wilson & Partners CPA Limited who will retire at the conclusion of the 2025 AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Wilson & Partners CPA Limited as the auditor of the Company will be proposed at the forthcoming AGM.

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

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

SUBSEQUENT EVENTS

As of the date of this annual report, save for the above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2024.

On behalf of the Board
Gu Dorson
Chairman

Shanghai, 31 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, the Group's revenue amounted to RMB314.4 million, representing a decrease of RMB136.1 million or 30.2% from RMB450.5 million in 2023; the Group's gross profit amounted to RMB203.5 million, representing a decrease of approximately RMB95.5 million or 32.0% from RMB299.0 million in 2023. In 2024, the loss attributable to the owners of the Company was approximately RMB85.1 million, representing an increase of RMB39.7 million, when compared with the loss of RMB45.4 million in 2023.

In 2024, the Group operated a restaurant network of 18 "Shanghai Min" restaurant, one "The Dining Room" restaurant and one "Wolfgang Puck" restaurant, which cover some of the most affluent and fast-growing cities in Mainland China and Hong Kong. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, in 2024 and 2023, respectively.

	As at 31 December			
	2024		2023	
	Number of restaurants (Note (iii))	**Revenue RMB'000**	Number of restaurants (Note (iii))	Revenue RMB'000
The PRC (Mainland area) (Note (ii))				
– Shanghai Min and Maison De L' Hui	**17**	**235,467**	23	338,016
– The Dining Room	**1**	**18,879**	1	21,775
– Other brands (Note (iv))	**1**	**17,493**	1	22,467
Hong Kong				
– Shanghai Min	**1**	**21,138**	2	33,353
– The Dining Room (Note (v))	**–**	**16,622**	2	25,999
Total revenue of restaurant operations (Note (i))	**20**	**309,599**	29	441,610
Other revenue		**4,757**		8,929
Total revenue		**314,356**		450,539

Notes:

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

(ii) The PRC (Mainland area), for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan.

(iii) The number of restaurants excludes licensed stores.

(iv) Other brand in the PRC include Wolfgang Puck (2023: Wolfgang Puck).

(v) All stores under the Dining Room brand in Hong Kong as of 31 December 2024 have been closed.

In 2024, catering service industries continued to face sluggish consumption resulting from the prolonged macro economic downturn, which in turn made 2024 an extremely challenging year for the business environment.

FINANCIAL REVIEW

Total Revenue

Revenue of the Group decreased by RMB136.1 million, or 30.2%, from RMB450.5 million in 2023 to RMB314.4 million in 2024.

Total revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB132.0 million, or 29.9% from RMB441.6 million in 2023 to RMB309.6 million in 2024, primarily due to:

- an increase of RMB13.1 million in revenue contributed by restaurants newly opened in 2024;
- a decrease of RMB54.3 million, or 18.2%, in comparable restaurant sales in 2024 as compared with that of 2023; and
- the relocation, adjustment and closure of stores in 2024, which resulted in a decrease in overall revenue of RMB90.8 million.

Other revenue

Other revenue decreased by RMB4.1 million, from RMB8.9 million in 2023 to RMB4.8 million in 2024. The decrease was mainly due to a decrease of RMB2.5 million in sales of value-added products and a decrease of RMB1.6 million in management fee from franchisee.

Cost of sales

The cost of sales decreased by RMB40.6 million, or 26.8%, from RMB151.5 million in 2023 to RMB110.9 million in 2024. The cost of sales as a percentage of revenue increased from 33.6% in 2023 to 35.3% in 2024.

Other income

Other income in 2024 amounted to RMB0.6 million, mainly due to management fee income of RMB0.4 million and interest income of RMB0.06 million.

Other gains and losses

Other gains and losses in 2024 amounted to loss of RMB19.3 million, mainly comprised of RMB2.9 million from loss on disposal of property and equipment, RMB12.7 million from impairment losses of fixed assets and right-of-use assets, RMB2.9 million from bad debt on trade and other receivables, RMB3.2 million from provision of litigation compensation and RMB3.4 million from fair value loss of financial liabilities of FVTPL, partially offset by RMB8.2 million from gain on early termination of leases.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB64.2 million, or 22.5%, from RMB285.2 million in 2023 to RMB221.0 million in 2024.

Labor costs relating to the restaurants operations decreased by RMB21.9 million, or 16.4%, from RMB133.6 million in 2023 to RMB111.7 million in 2024. As a percentage of the Group's revenue, labor costs increased from 29.7% in 2023 to 35.5% in 2024.

Rental costs relating to restaurants operations decreased by RMB0.7 million, or 2.2%, from RMB32.3 million in 2023 to RMB31.6 million in 2024. As a percentage of the Group's revenue, rental costs increased from 7.2% in 2023 to 10.1% in 2024.

Depreciation expenses relating to the restaurants operations decreased by RMB32.8 million, or 42.7%, from RMB76.9 million in 2023 to RMB44.1 million in 2024. As a percentage of the Group's revenue, depreciation expenses decreased from 17.1% in 2023 to 14.0% in 2024.

Administrative expenses

Administrative expenses decreased by RMB22.4 million, or 45.7%, from RMB49.0 million in 2023 to RMB26.6 million in 2024, and as a percentage of revenue, administrative expenses decreased from 10.9% to 8.5% over the same period.

Income tax expense

Income tax expense increased by RMB8.0 million from RMB7.0 million in 2023 to RMB15.0 million in 2024.

Loss for the year

As a result of the foregoing, the loss for the year of the Company increased by RMB37.9 million from the loss of RMB47.2 million in 2023 to the loss of RMB85.1 million in 2024. The net loss margin increased from 10.5% in 2023 to 27.1% in 2024.

Liquidity, capital resources and cash flow

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

As at 31 December 2024, the Group's total interest-bearing bank loans were RMB21.4 million. The gearing ratio was 430.8% (31 December 2023: 202.9%). Gearing ratio represents net debt divided by adjusted capital plus net debt. Net debt includes interest-bearing bank loans, financial liabilities measured at FVTPL, trade payables, other payables and accruals, contract liabilities and amounts due to related parties, less cash and cash equivalents and restricted bank deposits. Capital represents deficits attributable to owners of the Company.

The Group had net cash inflows from operating activities of RMB35.4 million in 2024 (2023: RMB48.2 million). As at 31 December 2024, the Group had RMB3.7 million in cash and cash equivalents (31 December 2023: RMB20.7 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2024 and 2023:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net cash from operating activities	**35,351**	48,225
Net cash from (used in) investing activities	**(8,863)**	11,812
Net cash used in financing activities	**(43,201)**	(86,887)
Net decrease in cash and cash equivalents	**(16,713)**	(26,850)
Cash and cash equivalents at 1 January	**20,658**	47,575
Effect of foreign exchange, net	**(256)**	(67)
Cash and cash equivalents at 31 December	**3,689**	20,658

Operating activities

Net cash inflow from operating activities decreased by RMB12.8 million from RMB48.2 million in 2023 to RMB35.4 million in 2024, which was mainly due to the decrease in movements in working capital this year.

Investing activities

Net cash used in investing activities was RMB8.9 million in 2024, as compared with net cash from investing activities of RMB11.8 million in 2023, which was mainly because restricted bank deposits of the Company increased by RMB2 million in the current period.

Financing activities

Net cash used in financing activities decreased by RMB43.7 million from RMB86.9 million in 2023 to RMB43.2 million in 2024, which was primarily attributable to the proceeds from new bank loans of RMB22.0 million, repayment of bank loans of RMB25.6 million, interest paid of RMB7.2 million, repurchase of shares of RMB0.4 million, advance from related parties of RMB19.8 million, rental payments related to lease contracts included in cash used in financing activities of approximately RMB60.2 million as a result of the application of IFRS 16, proceeds from financial liabilities measured at FVTPL of RMB17.9 million and repayment of financial liabilities measured at FVTPL of RMB9.4 million.

Foreign currency exposure

The Group's exposure to the risk of fluctuation in foreign exchange rates relates primarily to the Group's operating activities, investment activities and overseas financing income or expenses (when revenue or expenses from investment activities and overseas financing are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the years ended 31 December 2024 and 31 December 2023 was denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals for the year ended 31 December 2024.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments for the year ended 31 December 2024.

Capital commitment

Capital commitments were approximately RMB4.2 million and RMB7.6 million as at 31 December 2024 and 31 December 2023, respectively.

Pledge of Group assets

As at 31 December 2024, the Group did not have any pledge of assets (as at 31 December 2023: Nil).

Human resources and remuneration policies

As at 31 December 2024, the Group employed approximately 233 employees in Mainland China and Hong Kong, including 187 employees in restaurants and 46 employees in functional departments (2023: 544 employees), representing a year-on-year decrease of 57.2%.

In 2024, the Group continued to use a three-dimensional labor structure for full-time employees, hourly employees and trainees and also entered into long-term cooperation plans with a number of domestic institutions. The Group continued to carry out a number of established incentive assessment policies, so as to increase the overall income of employees, to achieve the sharing of benefits between the Company and employees, and to improve employee work enthusiasm.

STRATEGIC OUTLOOK

By observing the catering industry, we have realized that successful local cuisine brands are generally those that have completed the transformation from "local characteristics" to "cultural experience". Against the backdrop of a gradual rebound in overall consumption after downgrading, the choice-decisioning in dining consumption for the customers is not barely the food quality. The thick oil and red sauce should not only be a landmark taste of Shanghai cuisine, but also a symbolic for Shanghai culinary culture, so that customers can taste the story behind the brand while tasting the food.

The optimization of the multi-brand strategy is also necessary to consolidate the core strength of "Fine Shanghai Cuisine" while expanding differentiated sub-brands (such as "The Dining Room", "Jingjing Nanguo", "Xingxing Nanguo"), to cover a wide range of consumption scenarios such as light luxury, family dinners, and business banquets. In order to adapt to the younger consumer base, the Company will avoid opening large restaurants and reduce the banquet size when opening stores in the future, taking small shop model and flexible management as the future business strategy direction. In addition, we will enhance the innovation of the dishes, retaining the classic dishes while introducing seasonal healthy menu to cater the diversified customer needs.

The future of the catering industry is both challenging and full of opportunities. The Group will keep pace with the times, gain insights into the ever-changing needs of consumers, and actively adopt strategies such as exploring healthy dining, implementing technology-enabled operations, creating immersive experiences, strengthening brand building and expanding diversified businesses and pipelines, in order to be invincible in the face of intense market competition. The Company will balance "tradition and innovation" in the future. We will, through multi-brand matrix, supply chain cultivation and digitalization of operations, transform from a single catering service provider to a diversified integrated brand, and keep making innovation, optimization and upgrade in the journey of catering development. By offering high quality and delicious food, we will create more value for consumers and write a brilliant chapter in the catering industry together.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is dedicated to maintaining high standards of corporate governance practices and procedure to maximise the interests and the value of the shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. For the year ended 31 December 2024, save as disclosed in this report, the Company has complied with all applicable code provisions as set out in CG Code.

CORPORATE CULTURE, MISSION, CORE VALUES AND STRATEGY

The Company's success is driven by a relentless focus on its vision, mission and core values. These are rooted in having extraordinary focus on strong operating fundamentals, which enable our restaurant teams to create exceptional customer experiences on a daily basis.

The Company's vision is to attract talents, promote industrial innovation and drive sustainable development by offering customers diversified choices and pleasant dining experiences. Corporate strategy is underpinned by the four core values being People Oriented, Customer First, Quality Prioritised and Innovation for Development across all levels of the Group from both performance and competence perspectives. By implementing Structuralize, Systematize, Sanitize, Standardize, Self-discipline, the Group strengthens its cultural framework and enhance its long-term values for the Group and its shareholders as a whole.

INDEPENDENT ADVICES

The Directors and their committees shall have access to independent professional advisers' advices if considered necessary. The Directors may also seek independent professional advices on matters related to the Company to fulfill their responsibilities at the Company's expense after obtaining the approval of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 December 2024.

BOARD OF DIRECTORS

The Board is the governing body of the Company. It is responsible for the efficient management of the catering business of the Group, formulating and reviewing the corporate governance policies and practices of the Company, putting forward proposals to the Board, reviewing and monitoring the training and continuing professional development of Directors and senior management, reviewing and monitoring the policies and practices with regard to the Company's compliance with statutory requirements, and the Company's observance of the CG Code, and reviewing the Company's compliance with the Model Code and disclosure in the Corporate Governance Report. The Board is fully aware of its principal responsibilities to the Company and its duties to protect and enhance the interests of the shareholders of the Company. During the year ended 31 December 2024, the Board has performed the functions set out in code provision A.2.1 of the CG Code.

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Company are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Nomination Policy

The Company set out the Nomination Policy which sets out the selection criteria and nomination procedure when considering the appointment and re-appointment of Directors to ensure a balance of skills, experience and diversity of perspectives appropriate to the requirement of the Company's business.

The selection criteria including but not limited to the following: (1) potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity; (2) needs of the Board for particular expertise, skills or experience; (3) commitment to devote adequate time to discharge his or her duties as a member of the Board; and (4) other factors considered to be relevant by the Nomination Committee on a case-by-case basis.

The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations; Promptly after considering a candidate's suitability for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The Board, if considered appropriate, shall approve the appointment of the proposed candidate as new Director(s).

Dividend Policy

The Company set up a dividend policy (the "**Dividend Policy**") which sets out the criteria to be adopted when considering declaration and payment of dividend with aims to provide stable and sustainable returns to the Shareholders.

The Board may consider declaring and paying to the Shareholders by taking into account of the following factors, including but not limited to, the Group's business performance, operating results, cash flow working capital requirement and business development plans as well as general market condition and other factors that the Board may consider relevant. Dividend payment shall normally be in the form of cash, unless the Board resolves otherwise.

The Company's management implemented the relevant strategies and handled the Group's operation under the authorization and power of the Board. As at the date of this annual report and up to the Latest Practicable Date, the Board currently consists of the following Directors:

Executive director

Mr. Gu Dorson *(Chairman)*

Non-executive director

Ms. Gu Lina

Independent non-executive directors

Mr. Leung Yiu Cho
Mr. Zhang Zhenyu
Ms. Hu Xiaoqi

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

BOARD DIVERSITY POLICY

The Board adopted and approved its diversity policy on the composition of Board members during the year of 2013. Below is the summary of the board diversity policy of the Company:

The Company recognizes and embraces the benefits of having a diverse Board to enhance the overall quality of the Group's performance.

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Board Diversity Policy has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In terms of diversification, the Company will also be based on its own business model and the specific needs of the times to take various factors into account.

The Nomination Committee has the primary duty of identifying qualified individuals to act as the Board members, and the Board will review this policy at least annually to ensure the effectiveness of the policy.

Currently, two out of the five Directors on the Board are female Directors. The Board is committed to identifying suitable candidates to improve its gender diversity. The Board currently has two female Directors. The Board has achieved gender diversity and thus fulfill the requirement under Rule 13.92 of the Listing Rules. The Company believes that such merit-based selection process based on the Board Diversity Policy and the nature of our business is in the best interest of the Company and the Shareholders as a whole. As of 31 December 2024, the Group had about 233 employees (including senior management), of which 111 employees were women. Therefore, the Company considers that gender diversity on its employees as a whole has been achieved.

For the year ended 31 December 2024, the Board reviewed the implementation and effectiveness of the diversity policy on the Board through the Nomination Committee, and confirmed that the Board had the appropriate combination of skills and experience to achieve the Company's strategy.

Each of the Directors has entered into a service contract with the Company. Mr. Leung Yiu Cho was appointed as an independent non-executive Director on 20 October 2023. The appointment of Mr. Leung Yiu Cho is for a term of 3 years from 20 October 2023; the appointment of Mr. Zhang Zhenyu as an independent non-executive Director is for a term of 3 years from 22 January 2022; the appointment of Ms. Li Yuping as an independent non-executive Director is for a term of 3 years from 22 January 2022. Ms. Li Yuping resigned as an independent non-executive Director on 28 June 2024. Ms. Hu Xiaoqi was appointed as an independent non-executive Director on 28 June 2024. The appointment of Ms. Hu Xiaoqi is for a term of 3 years from 28 June 2024. Ms. Wang Huili was appointed as non-executive Director for a term of 3 years from 22 January 2022 and re-designated as an executive Director for a term of 3 years from 24 June 2024 and Chairlady of the Board with effect from 28 June 2024. Ms. Wang Huili resigned as an executive Director and ceased to act as authorized representative of Company, resigned as a chairlady of the Board as well as resigned from her office in all mandatory committee's' member or chairlady all other positions of the Company on 21 January 2025. The appointment of Ms. Wu Wen as a non-executive Director is for a term of 3 years from 22 January 2022; Ms. Wu Wen resigned as non-executive Director on 21 January 2025. Ms. Gu Lina was appointed as non-executive Director on 21 January 2025. The appointment of Ms. Gu Lina is for a term of 3 years from 21 January 2025; The appointment of Ms. Ping Guoqin as an executive Director was for a term of 3 years from 25 November 2021. Ms. Ping Guoqin resigned as an executive Director on 28 June 2024. Mr. Gu Dorson was appointed as an executive Director for a term of 3 years from 25 November 2021. Mr. Gu Dorson had decided not to stand for re-election at the 2024 AGM, with an aim to devoting more time to his other commitments and pursuits on 28 June 2024. Mr. Gu was appointed as an executive Director and the chairman of the Board for a term of 3 years with effect from 21 January 2025.

Under the service contracts, all the Directors shall be automatically renewed for successive periods of 3 years until terminated in accordance with the terms and conditions of the respective service contract or until either party giving at least 3-month written notices to the other party (subject to retirement from office and re-election at the annual general meetings in accordance with the Articles of Association).

The Company has received written confirmation of independence from each of the independent non-executive Directors as regards the factors set out in Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors are independent of the Company.

INDEPENDENCE OF THE BOARD

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

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

All directors have the right to seek advice from independent professional advisors, and the expenses shall be borne by the Company. For the year ended 31 December 2024, the Company has reviewed the mechanisms established to ensure that the Board could be provided with independent opinions and suggestions, and is satisfied that the implementation and effectiveness of these mechanisms.

BOARD MEETINGS

The Company adopts the practice of regular board meetings and notices of regular Board meetings are served to all Directors no less than 14 days before the meetings. All of the Directors have chance to attend the regular meetings and discuss issues on agenda. For all other Board and Committee meetings, reasonable notice is generally given. The final versions of the minutes of all Board meetings and respective Committees meetings are normally circulated to Directors for comment within a reasonable time after each meeting is held.

In addition to Board meetings, the chairman held one meeting with independent non-executive Directors annually without the presence of executive Directors.

Five Board meetings and one general meeting were held during the year ended 31 December 2024. Attendance of each Director is set out as below:

Directors	Number of board meetings attended/ eligible to attend	General meetings attended/ eligible to attend
Mr. Gu Dorson	3/3	1/1
Ms. Ping Guoqin[1]	3/3	1/1
Ms. Wang Huili[2]	5/5	1/1
Ms. Wu WEN[3]	5/5	1/1
Ms. Gu Lina[4]	N/A	N/A
Ms. Li Yuping[5]	3/3	N/A
Mr. Leung Yiu Cho	5/5	1/1
Mr. Zhang Zhenyu	4/5	1/1
Ms. Hu Xiaoqi[6]	2/2	N/A

Notes:

1. Ms. Ping Guoqin, being advanced in retirement age, had wished and decided to retire from her office as an executive Director upon conclusion of the 2024 AGM.

2. Ms. Wang Huili was re-designated from non-executive Director to an executive Director upon conclusion of the 2024 AGM and resigned as an executive Director, the chairlady of the Board, ceased to act as authorized representative of the Company, the chairlady of the Nomination Committee and the risk management committee respectively and a member of the Remuneration Committee with an aim to devoting more time to other commitments and pursuits with effect from 21 January 2025.

3. Ms. Wu Wen resigned as a non-executive Director in order to devote more time to her personal affairs and career commitments on 21 January 2025.

4. Ms. Gu Lina was appointed as a non-executive Director on 21 January 2025.

5. Ms. Li Yuping resigned as an independent non-executive Director with effect from the conclusion of the 2024 AGM.

6. Ms. Hu Xiaoqi, with the recommendation of the Nomination Committee, was appointed as an independent non-executive Director with effect from the conclusion of the 2024 AGM.

Pursuant to code provision C.1.6 of the CG Code, all non-executive Directors have attended general meetings of the Company.

In compliance with code provision C.2.7 of the CG Code, the Chairman held one meeting with independent non-executive Directors annually without the presence of executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer ("**CEO**") should be separated and should not be performed by the same individual. Mr. Gu Dorson is the chairman of the Company, and the Company has not established the position of CEO. The Company complies with the code provision C.2.1 of the CG Code.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In compliance with the code provision B.2.2 of the CG Code, every Director shall be subject to retirement by rotation at least once every three years. Further, according to article 84 of the Articles of Association, at each AGM of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation. The retiring Directors are to be those longest in office since their last election or reappointment, but will be eligible for re-election. At the same time, article 83(3) of the Articles of Association granted the right to the Board to appoint any person as a Director either to fill a vacancy on the Board or join the Board. Any Director appointed to fill the vacancy shall hold office until the Company's first general meeting after the appointment and will be eligible for re-election at that general meeting. Any newly appointed Directors joining the Board shall hold office until the Company's first AGM after the appointment and will be eligible for re-election at that general meeting Mr. Gu Dorson was appointed as executive Director by the Board on 21 January 2025. Ms. Gu Lina was appointed as non-executive Director by the Board on 21 January 2025. Ms. Hu Xiaoqi was appointed as an independent non-executive Director by the Board on 28 June 2024. Hence, they will retire at the 2025 AGM and, being eligible and willing to, offer themselves for re-election at the 2025 AGM. The duties of the Nomination Committee are to review the structure, size and composition of the Board, and to recommend individuals suitably qualified to become members of the Board to the shareholders at the annual general meetings for the election.

In accordance with article 84 of the Articles of Association, Mr. Zhang Zhenyu shall retire by rotation, and being eligible, offer himself for re-election as an independent non-executive Director at the 2025 AGM. In accordance with article 83(3) of the Articles of Association, Mr. Gu Dorson, Ms. Gu Lina and Ms. Hu Xiaoqi shall hold office until the 2025 AGM, i.e. the Company's first annual general meeting after their appointment and will be eligible for re-election as Directors.

INDUCTION AND CONTINUOUS DEVELOPMENT FOR DIRECTORS

Every new Director will be given formal, comprehensive and necessary induction information, to ensure a reasonable understanding of the Company's business and operation, and to fully understand the Directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors will be updated as regard to the latest development of the relevant laws and regulatory systems so as to assist them in performing their duties.

CHANGES OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of the Directors during the Reporting Period and up to the Latest Practicable Date is set out below:

Ms. Hu Xiaoqi ("**Ms. Hu**") has been appointed as an independent non-executive Director and a member of the audit committee, nomination committee, the remuneration committee and the risk management committee of the Company with effect from the conclusion of the 2024 AGM. Ms. Hu has obtained the legal advice in accordance with Rule 3.09D of the Listing Rules on 21 June 2024 and she confirmed that she understood her obligations as a director of listed issuer.

Ms. Wang Huili ("**Ms. Wang**") was re-designated as an executive Director and had been appointed as the authorized representative of the Company, the chairlady of the Board, the Nomination Committee and the Risk Management Committee, a member of the Remuneration Committee with effect from the conclusion of the 2024 AGM. Ms. Wang resigned as an executive Director, the chairlady of the Board, ceased to act as authorized representative of the Company, the chairlady of the Nomination Committee and the Risk Management Committee respectively and a member of the Remuneration Committee with an aim to devoting more time to other commitments and pursuits with effect from 21 January 2025.

Mr. Zhang Zhenyu, an independent non-executive Director, has been appointed as the chairman of the Remuneration Committee with effect from the conclusion of the 2024 AGM.

Mr. Gu Dorson ("**Mr. Gu**") decided not to stand for re-election at the 2024 AGM and he retired from his office as an executive Director upon conclusion of the 2024 AGM, with an aim to devoting more time to his other commitments and pursuits. Meanwhile, Mr. Gu ceased to be the chairman of the Board, the Nomination Committee, the executive committee and the Risk Management Committee, and a member of the Remuneration Committee with effect from the conclusion of the 2024 AGM. With effect from 21 January 2025, Mr. Gu has been appointed as an executive Director, an authorized representative, the chairman of the Board of the Company, a member of the Remuneration Committee and the chairman of each of the Nomination Committee and the Risk Management Committee. Mr. Gu has obtained the legal advice in accordance with Rule 3.09D of the Listing Rules on 17 January 2025 and he confirmed that he understood his obligations as a director of listed issuer.

Ms. Ping Guoqin ("**Ms. Ping**"), being advanced in retirement age, has wished and decided to retire from her office as an executive Director upon conclusion of the 2024 AGM.

Due to having reached retirement age, Ms. Li Yuping ("**Ms. Li**") had tendered her resignation as an independent non-executive Director with effect from the conclusion of the 2024 AGM. Meanwhile, Ms. Li resigned as the chairlady of the Remuneration Committee, a member of the audit committee, the Nomination Committee and the Risk Management Committee with effect from the conclusion of the 2024 AGM.

Ms. Gu Lina ("**Ms. Gu**") has been appointed as a non-executive Director with effect from 21 January 2025. Ms. Gu has obtained the legal advice in accordance with Rule 3.09D of the Listing Rules on 17 January 2025 and she confirmed that she understood her obligations as a director of listed issuer.

The relevant resolutions have been considered and approved by all Directors and relevant disclosures have been made in the announcements in compliance with the requirements of the Listing Rules.

All Directors have fiduciary duty and statutory responsibility towards the Company and the Group. Every newly appointed Director will receive an induction training, so as to ensure that he/she has a proper understanding of the operations and business of the Company, and his/her liability under law, regulations and the governance policy of the Group.

DIRECTORS' CONTINUOUS TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in the continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2024, all Directors of the Company (namely Mr. Gu Dorson, Ms. Gu Lina, Mr. Zhang Zhenyu and Mr. Leung Yiu Cho) received regular updates on the Listing Rules and corporate governance matters, and participated in the trainings for Directors.

Each newly appointed Director, namely, Mr. Gu Dorson, Ms. Gu Lina, Ms. Hu Xiaoqi, have been provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. During the Reporting Period, each of the executive Directors and independent non-executive Directors read the training materials provided by the company secretary of the Company, as is summarized below. The content of such training cover corporate governance, Listing Rules and regulatory updates, disclosure of interest requirement of the SFO and new treasury shares regime, etc.

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the Listing Rules and the CG Code. As at the date of this report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Leung Yiu Cho, Ms. Hu Xiaoqi and Mr. Zhang Zhenyu, Mr. Leung Yiu Cho is the chairman of the Audit Committee. Ms. Li Yuping resigned as a member of the Audit Committee on 28 June 2024.

The principal duties of the Audit Committee include:

- being responsible for the appointment, re-appointment and removal of the independent auditor and provide recommendations to the Board; approving the remuneration of the independent auditor, monitoring the duties of the independent auditor and implementing the policy of the Company for engaging of independent auditor for provision of non-audit services;

- reviewing the annual and interim financial statements, monitoring the Company's financial control, internal control and risk management and the Company's financial and accounting policies, to ensure the execution of the above policies are in place;

- reviewing the complaint process of the Company dealing with financial reporting, internal control or other violations of laws and regulations; and

- reviewing the arrangement of the Company and pursuant to which employees of the Group can secretly raise concerns about any possible misconducts arising from financial reporting, internal control or other matters. To ensure proper arrangement is in place and a fair and independent investigation of such matters and appropriate follow-up actions will be taken by the Company.

For the year ended 31 December 2024, two meetings were held by the Audit Committee. Besides the primary duties disclosed above, the Audit Committee is responsible for oversight of the financial reporting system and internal control procedures, to ensure that appropriate arrangements are in place to allow any matters in relation to any irregularities whistleblowed by the staffs of the Company be investigated on a fair and independent basis and appropriate actions be taken;

Directors	Number of meetings attended/ eligible to attend
Mr. Leung Yiu Cho	2/2
Ms. Li Yuping[1]	1/1
Mr. Zhang Zhenyu	2/2
Ms. Hu Xiaoqi[2]	1/1

1. Ms. Li Yuping resigned as a member of the Audit Committee on 28 June 2024.
2. Ms. Hu Xiaoqi was appointed as a member of the Audit Committee on 28 June 2024.

The following was a summary of the primary work performed by the Audit Committee in 2024:

1. reviewed the Group's consolidated financial statements for the year ended 31 December 2023 and the annual results announcement with recommendation to the Board for approval;

2. reviewed the Group's annual report for the year ended 31 December 2023 with recommendation to the Board for approval;

3. reviewed the continuing connected transactions for the year ended 31 December 2023;

4. reviewed the internal audit report for the year ended 31 December 2023 submitted by the Group's Internal Control Department;

5. reviewed the re-appointment of Wilson & Partners CPA Limited as the auditor of the Company;

6. reviewed the Group's consolidated financial statements for the six months period ended 30 June 2024 and the interim results announcement with a recommendation to the Board for approval; and reviewed the Group's interim report for the six months ended 30 June 2024 with recommendation to the Board for approval; and

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

Remuneration Committee

The Remuneration Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the Listing Rules and the CG Code. As at the date of this report, the Remuneration Committee comprised three independent non-executive Directors and one executive Director, namely Mr. Zhang Zhenyu, Mr. Leung Yiu Cho, Ms. Hu Xiaoqi and Mr. Gu Dorson. Ms. Li Yuping resigned as the chairlady of the Remuneration Committee on 28 June 2024. Mr. Zhang Zhenyu was appointed as the chairman of the Remuneration Committee on 28 June 2024. Ms. Wang Huili resigned as a member of the Remuneration Committee on 21 January 2025. The principal duties of the Remuneration Committee include formulating human resources management policies, reviewing the Company's compensation policies, and determining the remuneration package for the Company's executive Directors and senior management, advising the remuneration of non-executive Directors to the Board, and reviewing and/or approving the matters related to the share scheme mentioned in Chapter 17 of the Listing Rules.

For the year ended 31 December 2024, the Remuneration Committee held two meetings to review and recommend the remunerations of the Directors appointed, and recommend the Board on the compensation policies and structure for all Directors and senior management as well as other relevant matters, and review the share scheme and its implementation. The attendance record of the members of the Remuneration Committee is set out in the table below:

Directors	Number of meeting attended/ eligible to attend
Mr. Zhang Zhenyu *(Chairman)*	2/2
Ms. Li Yuping[1]	2/2
Ms. Wang Huili[2]	–
Mr. Leung Yiu Cho	2/2
Ms. Hu Xiaoqi[3]	–
Mr. Gu Dorson[4]	2/2

1. Ms Li Yuping resigned as the chairlady of the Remuneration Committee on 28 June 2024.
2. Ms Wang Huili resigned as a member of the Remuneration Committee on 21 January 2025.
3. Ms. Hu Xiaoqi was appointed as a member of the Remuneration Committee on 28 June 2024.
4. Mr. Gu Dorson resigned as a member of the Remuneration Committee on 28 June 2024 and was appointed as a member of the Remuneration Committee on 21 January 2025.

The following was a summary of the primary work performed by the Remuneration Committee in 2024:

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

2. reviewed the Share Option Scheme, the 2019 Share Award Scheme and the 2021 Share Award Scheme, and their implementation.

Nomination Committee

The Nomination Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the CG Code. As at the date of this annual report, the Nomination Committee currently comprised one executive Director and three independent non-executive Directors, namely Mr. Gu Dorson, Mr. Leung Yiu Cho, Mr. Zhang Zhenyu and Ms. Hu Xiaoqi. Mr. Gu Dorson is the chairman of the Nomination Committee. Ms. Wang Huili was once appointed as the chairlady of the Nomination Committee on 28 June 2024 and she resigned as the chairlady of the Nomination Committee on 21 January 2025. Ms. Li Yuping resigned as a member of the Nomination Committee on 28 June 2024. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, and making recommendations to the Board on the selection of individuals to fill in vacancy on the Board.

For the year ended 31 December 2024, the Nomination Committee has held two meetings. The attendance record of the members of the Nomination Committee is set out in the table below:

Directors	Number of meeting attended/ eligible to attend
Mr. Gu Dorson *(Chairman)*[1]	2/2
Ms. Li Yuping[2]	2/2
Ms. Wang Huili[3]	–
Mr. Leung Yiu Cho	2/2
Mr. Zhang Zhenyu	2/2
Ms. Hu Xiaoqi[4]	–

1. Mr. Gu Dorson resigned as the chairman of the Nomination Committee on 28 June 2024 and was appointed as the chairman of the Nomination Committee on 21 January 2025.
2. Ms. Li Yuping resigned as a member of the Nomination Committee on 28 June 2024.
3. Ms. Wang Huili was appointed as the chairlady of the Nomination Committee on 28 June 2024 and resigned as the chairlady of the Nomination Committee on 21 January 2025.
4. Ms. Hu Xiaoqi was appointed as a member of the Nomination Committee on 28 June 2024.

The following was a summary of the primary work performed by the Nomination Committee in 2024:

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

2. reviewed the diversity of the Board, and endorsed that the Board possessed a diversity of skills, expertise, experience and qualifications and believed that the Board performed its duties competently; and

3. advised the issue of re-election of retiring Directors.

Risk Management Committee

The Risk Management Committee was established on 31 December 2015 with its terms of reference formulated in accordance with the Listing Rules. As at the date of this report, the Risk Management Committee comprised one executive Director and three independent non-executive Directors, namely Mr. Gu Dorson, Mr. Leung Yiu Cho, Mr. Zhang Zhenyu and Ms. Hu Xiaoqi. Mr. Gu Dorson is the chairman of the Risk Management Committee. Ms. Li Yuping resigned as a member of the Risk Management Committee on 28 June 2024, Ms. Wang Huili was once appointed as the chairlady of the Risk Management Committee and resigned as the chairlady of the Risk Management Committee on 21 January 2025. The principal duties of the Risk Management Committee include overseeing the risk management system and risk tolerance capability of the Company, ensuring that the management has performed its duties to establish an effective internal control system, and considering major investigation findings on relevant risk management matters as delegated by the Board or on its own initiative and management's response to these findings.

For the year ended 31 December 2024, the Risk Management Committee has held two meetings. The attendance record of the members of the Risk Management Committee is set out in the table below:

Directors	Number of meeting attended/ eligible to attend
Mr. Gu Dorson *(Chairman)*[1]	1/1
Ms. Wang Huili[2]	1/1
Ms. Li Yuping[3]	1/1
Mr. Leung Yiu Cho	2/2
Mr. Zhang Zhenyu	2/2
Ms. Hu Xiaoqi[4]	1/1

1. Mr. Gu Dorson resigned as the chairman of the Risk Management Committee on 28 June 2024 and was appointed as the chairman of the Risk Management Committee on 21 January 2025.
2. Ms. Wang Huili was appointed as the chairlady of the Risk Management Committee on 28 June 2024 and resigned as the chairlady of the Risk Management Committee on 21 January 2025.
3. Ms. Li Yuping resigned as a member of the Risk Management Committee on 28 June 2024.
4. Ms. Hu Xiaoqi was appointed as a member of the Risk Management Committee on 28 June 2024.

The following was a summary of the primary work performed by the Risk Management Committee in 2024:

1. reviewed the Group's risk management system, its risk policies and standards, and relevant risk limits, including the parameters used and the methodology adopted, and the processes used for identifying and assessing risks;

2. discussed the risk management system with the management and ensure that the management has performed its duties to establish an effective system;

3. reviewed the scope and quality of management's ongoing monitoring of risks and the internal control systems, the work of the internal audit function and its effectiveness;

4. reviewed the extent and frequency of communication of monitoring results which enables it to assess control of the Company and the effectiveness of risk management; and

5. reviewed and understood whether there were significant control failures or weaknesses identified.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2024. The Directors are responsible for overseeing the preparation of the financial statements of the Company with a view to ensure that such financial statement give a true and fair opinion on the Group's affairs as well as the Group's results and cash flow. The Directors, after making all reasonable enquiries, confirmed that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms its overall responsibility for establishing and maintaining an adequate and effective risk management and internal control system to achieve the Group's strategic objectives and safeguard Shareholders' investment and the Group's assets, and reviews relevant achievements through the Audit Committee and the Risk Management Committee on an annual basis. The Board also understands that the system are designed to manage, rather than eliminate, the risk of failure of achieving business goals, and can only give reasonable (and non-absolute) guarantee of free of material misrepresentation or loss.

The Company adopted the three lines of defence model in the management of risk. Operational management personnel form the first line of defence and serves as the directly risk bearers. They are responsible for identifying, reporting and preliminarily managing risks in the daily operations. The second line of defence consists of risk management and operation standards review personnel who are responsible for monitoring efficient implementation of internal control, assisting the person in charge of risks in defining remaining risks, and making sufficient information report to the Company. The internal audit function is the third line of defence and the relevant staff are mainly responsible for evaluating the effectiveness of internal control, identifying the flaws in internal control, making reasonable proposals for optimizing business process control, and supervising the implementation of corrective measures and conducting follow-up inspections.

In terms of risk control activities, the Company established control policies and procedures that are compatible with the actual business operations; distinguished the scope of rights and duties as well as examination and approval procedures for conducting business and activities, effectively separated incompatible jobs to form their own duties; in addition, the Company adopted a systematic approach to control relevant steps so to increase the reliability of control activities and help the Company achieve the stated control objectives.

For the year ended 31 December 2024, the Board reviewed the Group's risk management and internal control system and considered that its risk management and internal control system was effective and adequate.

In order to formulate and implement effective policies, our risk management system emphasizes continuous information gathering. Our risk management system collects data on a variety of business, financial and legal risks such as market demand, technological trends and innovations, data comparisons with our competitors, our financial performance and results of operation, costs of services, changes in intellectual property laws, company laws and possible legal disputes. The information gathered is used for risk assessment. Our risk assessment procedures take into account our Company's overall risk philosophy and seek to accurately evaluate how a potential risk may affect our objective in the strategic, business, compliance and financial reporting areas. We seek to identify both internal risks, such as employee ethics, our financial condition or product quality, as well as external risks, such as economic and legal developments, technology advances and environmental factors. Identified risks are assessed on the basis of likelihood of occurrence and the degree of influence it may have on our business. Risks with a high probability of occurrence are more closely examined in order to ensure accurate results. We then determine what counter-measures should be implemented in order to avoid, absorb or reduce such risks and any negative consequences.

Inside information policy

The Board has adopted an inside information policy which contains the guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

COMPANY SECRETARY

Ms. Chu Cheuk Ting ("**Ms. Chu**"), who possesses the requisite qualification and experience of a company secretary as required under Rule 3.28 of the Listing Rules, has been the company secretary of the Company since 21 January 2022. Ms. Chu is the manager of listing services department of TMF Hong Kong Limited. For the year ended 31 December 2023, Ms. Chu has received not less than 15 hours of relevant professional training to update her knowledge and skills.

Under code provision C.6.1 of the CG Code, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs. Ms. Chu is not an employee of the Company.

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

During the year ended 31 December 2024 and up to the date of this annual report, Mr. Liu Chunxi (劉春惜) ("**Mr. Liu**"), the investor relations manager of the Company, is the primary contact person designated by the Company with Ms. Chu. Subsequent to the resignation of Ms. Chu and as disclosed above, the Company engages an external service provider to provide company secretarial services and has appointed Ms. Chan as its company secretary. Ms. Chan is not an employee of the Group. Following the resignation of Ms. Chu, Mr.Liu is the primary contact of Ms.Chan at the Company.

REMUNERATION OF THE SENIOR MANAGEMENT

For the year ended 31 December 2024, there was no senior management members whose biographical details are disclosed in the section headed "Directors" of this report. Nevertheless, the remuneration of employees with important roles and functions, other than the CEO, is listed as below by band:

Band and of remuneration (HKD)	No. of person
0 to HKD1,000,000	5
HKD1,000,001 to HKD1,500,000	–

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the annual audit fees paid to the external auditor of the Company amounted to RMB980,000. No non-audit service fees has been paid for the year ended 31 December 2024.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with shareholders is the most important to improve investor relations and understanding of the Group's business, performance as well as strategy. The Company also recognizes the importance of non-selective and timely disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication, the Company maintains a website at www.xngholdings.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for shareholders' and public access.

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

The Company has reviewed the shareholder participation and communication activities conducted in 2024 and is satisfied that the implementation and effectiveness of its shareholders' communication policy.

CONVENING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Any one or more shareholder holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company on the basis of one vote per share shall at all times have the right, by sending a written requisition to the Board or Company Secretary to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition. All such requisition should be sent to Room 1603-1605, 16/F, Building A, No.100 Zunyi Road, Changning District, Shanghai, China.

Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to convene such meeting within 21 days of the deposit of the requisition, the requisitionist(s) himself/themselves may convene the meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene the meeting will be reimbursed to the requisitionist(s) by the Company.

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Act. However, shareholders who wish to propose resolutions may follow article 58 of the Articles of Association for requisitioning an extraordinary general meeting and proposing a resolution at such meeting. The requirements and procedures are set out as above.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders can make enquiries to the Board by way of emails to: ir@xngholdings.com.

CHANGES OF CONSTITUTIONAL DOCUMENT

During the Reporting Period, there has been no change in the Memorandum and Articles of Association of the Company.

SHAREHOLDERS' RIGHTS

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

MANAGEMENT'S VIEW ON THE GOING CONCERN OF THE COMPANY

Disclaimer of opinion

Reference is made to the sections headed "Disclaimer of Opinion" and "Basis for Disclaimer of Opinion" in the independent auditor's report in this annual report, note 2 to the Consolidated Financial Statements in this annual report.

The Board noted that the modification on the consolidated financial statements of the Company for the year ended 31 December 2024 was qualified on the basis of "Disclaimer of Opinion" was essentially due to the Auditors' concern over the going concern of the Company due to the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

As at the date of this annual report, the Company has taken the following measures to address the Disclaimer as set out in note 2 to the Consolidated Financial Statements, which include:

(i) the Company has been actively negotiating with certain banks on new source of borrowings;

(ii) the Company has been actively negotiating with certain banks to refinance the existing loan facilities from banks;

(iii) the Company has been actively negotiating with investors on new source of funding by placing of new shares;

(iv) the Company has been actively negotiating with the lessors for extension of repayment of the outstanding lease payments included in other payables and accruals and lease liabilities; and

(v) the Company will implement effective control on administrative and operating costs to improve the Company's financial performance and position to finance the Group's operations and to meet the Group's financial obligations as and when they fall due.

The management and the Audit Committee believe that if the above measures are indeed implemented properly and effectively in the year 2025 and if the Company could provide sufficient audit evidence to the auditors to support that there will be sufficient working capital for the Company in the next twelve months from 31 December 2024, the Disclaimer may be removed, given that there is no adverse change of the consolidated financial position, operations and investments of the Company.

Auditors' disclaimer of opinion

The Auditors do not express an opinion on the consolidated financial statements of the Company in light of the material uncertainty related to the going concern. The net loss and net current liabilities of the Company, together with other matters disclosed in Note 3.1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Group has implemented plans and measures to mitigate its liquidity pressure and improve its financial position, including obtaining new source of borrowings, refinancing of existing facilities, seeking new source of fundings from investors, extension of the outstanding lease payments, and implementing stringent control on administrative and operating costs, the details of which are set out in Note 3.1 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including: (i) successful negotiation with banks on new source of borrowings; (ii) successful completion of the refinancing of existing loan facilities from banks; (iii) successful negotiation with investors on new source of fundings by placing of new shares; (iv) successful negotiation with the lessors for extension of the outstanding lease payments included in other payables and accruals and lease liabilities; and (v) successful implementation of effective control on administrative and operating costs to improve the Group's financial performance and position, to finance the Group's operations and to meet the Group's financial obligations as and when they fall due. The Directors have taken into account the likelihood of success of the plans and measures being implemented and are of the opinion that sufficient financial resources will be available to finance the Group's operations and to meet the Group's financial obligations as and when they fall due at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Given the implementation of the plans and measures by the Group are in preliminary stage or in progress, no written contractual agreements or other supporting documents from the relevant banks or other lenders, potential investors and lessors are available to the Group as at the date of approval for issuance of the consolidated financial statements of the Group for extending the going concern assessment. Thus, the auditors are unable to obtain sufficient and appropriate audit evidence which is considered necessary to assess the likelihood of success of the plans and measures currently undertaken by the Group. There were no other satisfactory audit procedures that the auditors could adopt to satisfy itself that the appropriateness of the Directors' use of the going concern basis of accounting and adequacy of the related disclosures in the consolidated financial statements of the Group.

Should the Group fails to achieve a combination of the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively, or to recognize a liability for any contractual commitments that may have become onerous, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements.

Based on the above, the auditors do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements, the auditors have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Board's view of the effectiveness of the above measures

The Directors understood the Auditor's concern above, and will continue to implement the measures set out above to improve the Company's financial position, the Directors are cautiously optimistic that the business is heading in the right direction and the said Disclaimer will be able to be resolved upon publication of the financial results of the Company for the year ended 31 December 2025.

Audit committee's view on the disclaimer

The members of the Audit Committee had critically reviewed the Disclaimer, the management's position concerning the Disclaimer and measures taken by the Company for addressing the Disclaimer. The Audit Committee had also discussed with the Auditors regarding the financial position of the Company, measures taken and to be taken by the Company, and considered the Auditors' rationale and understood their consideration in arriving their opinion. After careful deliberation, the Audit Committee agreed with the management's position based on the reasons above. Moreover, the Audit Committee requested the management to take all necessary actions to address the effect on the Disclaimer so that no such Disclaimer will be issued in the forthcoming audited financial statements.

DIRECTORS

EXECUTIVE DIRECTOR

Mr. GU Dorson ("Mr. Gu"), aged 48, is appointed as an executive Director, an authorized representative of the Company, the chairman of the Board, a member of the Remuneration Committee and the chairman of each of the Nomination Committee and the Risk Management Committee, with effect from 21 January 2025. Mr. Gu has extensive experience in the business in direct e-commerce, FMCG retail and e-commerce, and business development on agri-food processing and retail industry chain. Mr. Gu worked in the Japan branches of Dell Inc. and Toys "R" Us, and worked on business development in agriculture, food processing and retailing industry chain under the service of CP Group. Mr. Gu holds a Bachelor Degree in International Finance from Dongbei University of Finance and Economics (東北財經大學).

NON-EXECUTIVE DIRECTOR

Ms. GU Lina ("Ms. Gu"), aged 47, is appointed as non-executive Director with effect from 21 January 2025. Ms. Gu joined the Group since 1 September 2020. Ms. Gu has been serving as a financial director of the Group since September 2023 and is mainly responsible in corporate finance management, risk management and asset management.

Ms. Gu has over 25 years of experience in corporate finance and accounting industry. From May 2016 to October 2018, Ms. Gu had been appointed as a deputy of financial manager in WWE (Shanghai) Commercial Co., Ltd.* (鐙宏(上海)商貿有限公司). Ms. Gu worked as the head of financial department in Shanghai Breadtalk Co., Ltd.* (上海麵包新語集團有限公司) from October 2013 to May 2016. Ms. Gu was appointed as a financial supervisor in Stroili Oro (Shanghai) Trading Co., Ltd.* (斯璀麗歐(上海)商貿有限公司) from August 2012 to September 2013 and from June 2008 to August 2012, Ms. Gu acted as a general ledger manager in Shanghai Zodanu Clothing Co., Ltd.* (上海佐丹奴服飾有限公司). From April 2006 to April 2008, she had been working in accounting department in Shanghai Hengshun International Air Transport Service Cooperation Company* (上海恒順國際航空運輸服務合作公司) and from October 2002 to April 2006, she worked as an accounting officer in Shanghai Seal Cement Group Co., Ltd.*(上海海豹水泥集團有限公司). Ms. Gu received a marketing management diploma in Shanghai Aurora College (上海震旦職業學院). She graduated with a bachelor degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in July 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEUNG Yiu Cho ("Mr. Leung"), aged 45, is an independent non-executive Director, the chairman of the Audit Committee, a member of each of the Remuneration Committee, the Nomination Committee and the Risk Management Committee. Mr. Leung has extensive experience in strategic financial planning, structuring capital reorganization and transactions, tax planning and financial analysis in listed company and licensed corporation. Mr. Leung was the assistant financial controller of Ta Yang Group Holdings Limited (Stock Code: 1991), a company listed on the Main Board (the "**Main Board**") of the Stock Exchange from 2006 to 2007, the chief financial officer and board secretary of Highland Asset Management Corporation from 2012 to 2013, an executive director and the vice investment principal of Artini Holdings Limited (Stock Code: 789), a company listed on the Main Board from 2013 to 2019, and an independent non-executive director and the chairman of the audit committee of Grace Life-tech Holdings Limited (Stock Code: 2112), a company listed on the Main Board, from 2017 to 2020 and since 11 March 2022. He was also appointed as an independent non-executive director, the chairman of the audit committee and a member of the strategic committee of Wuxi Sunlit Science and Technology Company Limited (Stock Code: 1289), a company listed on the Main Board since 18 June 2021. He was an independent non-executive director and the chairman of the audit committee of Zhongshi Minan Holdings Limited (Stock Code: 8283), a company listed on the GEM of the Stock Exchange, from 21 October 2016 to 30 June 2022. He was the chief financial officer, company secretary and authorised representative of Xinhua News Media Holdings Limited (Stock Code: 309), a company listed on the Main Board, from 2 July 2021 to 5 August 2021. He was the company secretary and authorised representative of China Dredging Environment Protection Holdings Limited (Stock Code: 871), a company listed on the Main Board, from 29 December 2021 to 11 August 2023. He has been the company secretary and authorised representative of Universal Star (Holdings) Limited (Stock Code: 2346), a company listed on the Main Board, from 13 July 2021 to 29 January 2024. Mr. Leung has been appointed as chief financial officer, company secretary and authorised representative of Renco Holdings Group Limited (Stock Code: 2323), a company listed on the Main Board, since 2 October 2024. He has been appointed as executive director of Trendzon Holdings Group Limited (Stock Code: 1865), a company listed on the Main Board, since 19 November 2024.

* For identification purposes only

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

Mr. ZHANG Zhenyu ("Mr. Zhang"), aged 49, is an independent non-executive Director of the Company, the chairman of the Remuneration Committee, a member of each of the Audit Committee, the Nomination Committee and the Risk Management Committee. Mr. Zhang has more than 20 years of experience in legal and corporate compliance field. During the period from October 2012 to February 2019, Mr. Zhang served as the chief legal counsel of Asia Pacific Region and chief compliance officer of China region for Thermo Fisher Scientific Inc., whose securities are listed on the New York Stock Exchange (stock code: TMO). During the period from April 2008 to March 2011, Mr. Zhang served as legal counsel and chief compliance officer of Great China region for Sandoz AG, a company incorporated in Switzerland and a global research-based pharmaceutical and nutrition group. Before serving Sandoz AG in Switzerland, Mr. Zhang has also acted as in-house legal counsel for TOM Group Limited in Hong Kong, Sony Music Group and Shanghai Huahong Group Co., Ltd. Mr. Zhang obtained a bachelor's degree in laws from East China University of Political Science and Law in China and has been awarded with a Diploma in Beijing International MBA from Peking University.

Ms. HU Xiaoqi ("Ms. Hu"), aged 46, is appointed as an independent non-executive Director, a member of each of the Audit Committee, the Nomination Committee, the Risk Management Committee and the Remuneration Committee with effect from the conclusion of the 2024 AGM.

Ms. Hu worked in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. during the period between August 2002 and December 2005 and her last position was senior associate. From January 2006 to July 2007, she acted as the corporate internal auditor of Akzo Nobel (Asia) Co., Ltd. She then worked in General Electric (China) Co., Ltd. from August 2007 to January 2017 and her last position was senior finance manager (Oil & Gas China). Between January 2017 and December 2022, Ms. Hu worked in Thermo Fisher Scientific (China) Co., Ltd. and her last position was senior director in finance (analytical instruments group of China). She then acted as the executive finance manager (Imaging China) of GE Healthcare Investment (China) Co., Ltd. from December 2022 onwards.

Ms. Hu graduated from Fudan University with a bachelor of science degree and from BI Norwegian Business School with a master of business administration degree.

CHANGE IN INFORMATION OF DIRECTORS

The appointment, retirement and resignation of Directors during the Reporting Period and up to the date of this annual report, please refer to the paragraph headed "**CHANGE OF DIRECTORS AND SENIOR MANAGEMENT**".

Save as disclosed above and in this annual report, there is no other change in the information of Directors required to be disclosed for the year ended 31 December 2024 pursuant to Rule 13.51B(1) of the Listing Rules as at 1 January 2024 and up to the Latest Practicable Date.

INDEPENDENT AUDITOR'S REPORT

Wilson & Partners CPA Limited
Suite 609, 6/F
China Insurance Group Building
141 Des Voeux Road Central
Central, Hong Kong

國誠會計師事務所有限公司
香港中環德輔道中141號
中保集團大廈6樓609室

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Shanghai XNG Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 49 to 129, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties relating to going concern and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

During the year ended 31 December 2024, the Group reported a loss of approximately RMB85,059,000 and had a net cash outflow of RMB16,713,000. As at 31 December 2024, the Group recorded net current liabilities of approximately RMB209,256,000 and net liabilities of approximately RMB159,627,000. The Group also had outstanding trade payables, other payables and accruals, bank loans and short-term lease liabilities amounted to approximately RMB65,100,000, RMB88,832,000, RMB21,400,000 and RMB28,479,000, respectively, which were due for settlement within twelve months and were classified as current liabilities, while the Group had cash and cash equivalents of approximately RMB3,689,000 as at 31 December 2024. Under certain legal proceedings in relation to outstanding lease payments arising from lease of restaurant properties, the Group has received property preservation orders to restrict the withdrawal of bank deposits amounted to RMB6,224,000 as at 31 December 2024.

These conditions, together with other matters disclosed in Note 3.1 to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern and the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Multiple uncertainties relating to going concern *(continued)*

The Group has taken plans and measures to mitigate its liquidity pressure and improve its financial position, including obtaining new source of borrowings, refinancing of existing facilities, seeking new source of funding from investors, extension of repayment of the outstanding lease payments, and implementing control on administrative and operating costs, in which the details are set out in Note 3.1 to the consolidated financial statements. The validity of the going concern assumptions on which the consolidated financial statements have been prepared depends on the outcome of these plans and measures, which are subject to multiple uncertainties, including: (i) successful negotiation with banks on new source of borrowings; (ii) successfully completing the refinancing of existing loan facilities from banks; (iii) successful negotiation with investors on new source of funding by placing of new shares; (iv) successful negotiation with the lessors for extension of repayment of the outstanding lease payments included in other payables and accruals and lease liabilities; and (v) successfully implementing effective control on administrative and operating costs to improve the Group's financial performance and position, to finance the Group's operations and to meet the Group's financial obligations as and when they fall due. The directors of the Company have taken into account the likelihood of success of the plans and measures being implemented and are of the opinion that sufficient financial resources will be available to finance the Group's operations and to meet the Group's financial obligations as and when they fall due at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Given the execution of the plans and measures by the Group are in preliminary stage or in progress and no written contractual agreements or other documentary supporting evidence from the relevant banks or other lenders, potential investors and lessors are available to the Group as at the date of approval for issuance of the consolidated financial statements of the Group for extending the going concern assessment, we are unable to obtain sufficient appropriate audit evidence we considered necessary to assess the likelihood of success of the plans and measures currently undertaken by the Group. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the appropriateness of the directors' use of the going concern basis of accounting and adequacy of the related disclosures in the consolidated financial statements of the Group.

Should the Group fail to achieve a combination of the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively, or to recognise a liability for any contractual commitments that may have become onerous, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and to issue an auditor's report solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Wilson & Partners CPA Limited
Certified Public Accountants
Lau Chi Kin, Kinson
Practising Certificate Number: P05613
Hong Kong
31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
REVENUE	5	**314,356**	450,539
Cost of sales		**(110,894)**	(151,547)
Gross profit		**203,462**	298,992
Other income	7	**577**	11,740
Other gains and losses	8	**(19,250)**	(5,805)
Selling and distribution expenses		**(221,045)**	(285,212)
Administrative expenses		**(26,596)**	(48,967)
Finance costs	9	**(7,221)**	(10,910)
LOSS BEFORE TAX		**(70,073)**	(40,162)
Income tax expense	10	**(14,986)**	(7,008)
LOSS FOR THE YEAR	11	**(85,059)**	(47,170)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(384)**	(159)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR		**(85,443)**	(47,329)
(Loss) profit for the year attributable to:			
Owners of the Company		**(85,078)**	(45,418)
Non-controlling interests		**19**	(1,752)
		(85,059)	(47,170)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(85,454)**	(45,582)
Non-controlling interests		**11**	(1,747)
		(85,443)	(47,329)
LOSS PER SHARE	15		
Basic and diluted		**RMB(3.9) cents**	RMB(2.1) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property and equipment	16	**17,215**	26,084
Right-of-use assets	17	**50,871**	115,462
Intangible assets	18	**965**	1,191
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")	19	**–**	–
Long-term rental deposits	22	**18,586**	23,299
Deferred tax assets	32	**11,009**	25,061
		98,646	191,097
CURRENT ASSETS			
Inventories	20	**5,478**	5,098
Trade receivables	21	**3,453**	5,440
Prepayments, deposits and other receivables	22	**16,448**	26,812
Amounts due from related parties	23	**3,809**	2,807
Restricted bank deposits	24	**6,224**	4,098
Cash and cash equivalents	24	**3,689**	20,658
		39,101	64,913
CURRENT LIABILITIES			
Trade payables	25	**65,100**	62,720
Other payables and accruals	26	**88,832**	72,878
Borrowings	27	**21,400**	25,000
Financial liabilities at fair value through profit or loss ("**FVTPL**")	28	**11,898**	–
Amounts due to related parties	23	**23,696**	3,944
Contract liabilities	29	**8,952**	8,760
Lease liabilities	30	**28,479**	61,507
		248,357	234,809
NET CURRENT LIABILITIES		**(209,256)**	(169,896)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(110,610)**	21,201

	Notes	**31 December 2024 RMB'000**	31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities	30	**45,324**	90,499
Restoration provisions	31	**3,693**	4,454
		49,017	94,953
NET LIABILITIES		**(159,627)**	(73,752)
CAPITAL AND DEFICITS			
Share capital	34	**18,393**	18,393
Treasury shares	34	**–**	(2,274)
Other reserves and accumulated losses	35	**(179,624)**	(91,464)
Deficits attributable to owners of the Company		**(161,231)**	(75,345)
Non-controlling interests		**1,604**	1,593
TOTAL DEFICITS		**(159,627)**	(73,752)

Gu Dorson
Director

Gu Lina
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the Company														
	Share capital RMB'000 (Note 34)	Treasury shares RMB'000 (Note 34)	Share premium RMB'000 (Note 35)	Capital redemption reserves RMB'000 (Note 35)	Capital reserve RMB'000 (Note 35)	Merger reserve RMB'000 (Note 35)	Statutory reserve RMB'000 (Note 35)	Translation reserve RMB'000 (Note 35)	Share option reserve RMB'000 (Note 35)	Share Award Scheme reserve RMB'000 (Note 36)	Revaluation reserve RMB'000 (Note 35)	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000 (Note 45)	Total RMB'000
At 1 January 2023	18,393	(894)	723,723	27	59,728	(69,246)	15,752	(34,929)	13,495	–	(4,336)	(751,430)	(29,717)	(423)	(30,140)
Loss for the year	–	–	–	–	–	–	–	–	–	–	–	(45,418)	(45,418)	(1,752)	(47,170)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(164)	–	–	–	–	(164)	5	(159)
Total comprehensive expense for the year	–	–	–	–	–	–	–	(164)	–	–	–	(45,418)	(45,582)	(1,747)	(47,329)
Transfer upon deregistration of subsidiaries	–	–	–	–	–	–	(500)	–	–	–	–	500	–	–	–
Disposal of a subsidiary (Note 37)	–	–	–	–	–	–	(245)	–	–	–	–	245	–	3,763	3,763
Share Award Scheme expenses	–	–	–	–	–	–	–	–	–	1,334	–	–	1,334	–	1,334
Repurchase of shares	–	(1,380)	–	–	–	–	–	–	–	–	–	–	(1,380)	–	(1,380)
Lapse of share options (Note 36)	–	–	–	–	–	–	–	–	(3,510)	–	–	3,510	–	–	–
At 31 December 2023	18,393	(2,274)	723,723	27	59,728	(69,246)	15,007	(35,093)	9,985	1,334	(4,336)	(792,593)	(75,345)	1,593	(73,752)
(Loss) profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(85,078)**	**(85,078)**	**19**	**(85,059)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(376)**	**–**	**–**	**–**	**–**	**(376)**	**(8)**	**(384)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(376)**	**–**	**–**	**–**	**(85,078)**	**(85,454)**	**11**	**(85,443)**
Transfer upon deregistration of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(380)**	**–**	**–**	**–**	**–**	**380**	**–**	**–**	**–**
Disposal of a subsidiary (Note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**(250)**	**–**	**–**	**–**	**–**	**250**	**–**	**–**	**–**
Transfer of treasury shares to Share Award Scheme reserve	**–**	**2,706**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,334)**	**–**	**(1,372)**	**–**	**–**	**–**
Repurchase of shares	**–**	**(432)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(432)**	**–**	**(432)**
Lapse of share options (Note 36)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,503)**	**–**	**–**	**8,503**	**–**	**–**	**–**
At 31 December 2024	**18,393**	**–**	**723,723**	**27**	**59,728**	**(69,246)**	**14,377**	**(35,469)**	**1,482**	**–**	**(4,336)**	**(869,910)**	**(161,231)**	**1,604**	**(159,627)**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(70,073)**	(40,162)
Adjustments for:			
Finance costs		**7,221**	10,910
Interest income		**(64)**	(621)
Dividend income from equity investments at FVTOCI	7	**–**	(300)
Depreciation of property and equipment		**9,628**	18,027
Depreciation of right-of-use assets		**46,269**	62,006
Amortisation of intangible assets		**226**	249
Gain on disposal of a subsidiary	37	**(979)**	(1,721)
Loss on disposal of property and equipment	8	**2,854**	1,637
Gain on early termination of leases	8	**(8,244)**	(379)
Impairment losses, net of reversal			
– property and equipment		**2,037**	(732)
– right-of-use assets		**10,703**	5,841
– trade receivables		**–**	(1,125)
– other receivables		**2,916**	(2,720)
Fair value loss of financial liabilities at FVTPL		**3,358**	–
Share Award Scheme expenses	36	**–**	1,334
Operating cash flows before movements in working capital		**5,852**	52,244
(Increase) decrease in inventories		**(377)**	2,974
Decrease in trade receivables		**2,006**	421
Decrease (increase) in prepayments, deposits and other receivables		**7,413**	(3,764)
Decrease in long-term rental deposits		**4,720**	7,799
Increase in trade payables		**2,250**	17,934
(Increase) decrease in other payables and accruals		**14,990**	(28,811)
Decrease in restoration provisions		**(761)**	(989)
Increase in contract liabilities		**192**	1,064
Cash generated from operations		**36,285**	48,872
Income tax paid		**(934)**	(647)
Net cash from operating activities		**35,351**	48,225

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	Year ended 31 December 2024 RMB'000	2023 RMB'000
INVESTING ACTIVITIES			
Purchases of property and equipment		**(5,799)**	(4,560)
Placement of restricted bank deposits	24	**(2,126)**	(4,108)
Advance to related parties		**(1,002)**	–
Interest received		**64**	621
Withdrawal of pledged bank deposits		**–**	15,045
Proceeds from disposals of equity investments at FVTOCI	19	**–**	3,000
Repayment from related parties		**–**	1,514
Dividend received from equity investments		**–**	300
Net cash (used in) from investing activities		**(8,863)**	11,812
FINANCING ACTIVITIES			
Repayment of lease liabilities		**(60,240)**	(75,045)
Repayment of bank loans		**(25,600)**	(18,496)
Repayment of financial liabilities at FVTPL		**(9,371)**	–
Interest paid		**(7,221)**	(10,910)
Repurchase of shares		**(432)**	(1,380)
Proceeds from new bank loans		**22,000**	15,000
Advance from related parties		**19,752**	3,944
Proceeds from financial liabilities at FVTPL		**17,911**	–
Net cash used in financing activities		**(43,201)**	(86,887)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,713)**	(26,850)
Cash and cash equivalents at 1 January		**20,658**	47,575
Effect of foreign exchange rate changes		**(256)**	(67)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24	**3,689**	20,658

1. GENERAL INFORMATION

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

(a) Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

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

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

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

The Group has applied the amendments for the first time in the current year.

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS *(continued)*

(a) Amendments to IFRS Accounting Standards that are mandatorily effective for the current year *(continued)*

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

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The application of the 2020 and 2022 Amendments has no material impact on the classification of the Group's liabilities.

(b) New and amendments to IFRS Accounting Standards in issue but not yet effective

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

Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
Amendments to IFRS 9 and IFRS 7	*Contracts referencing Nature-dependent Electricity*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS Accounting Standards	*Annual Improvements to IFRS Accounting Standards – Volume 11*[3]
Amendments to IAS 21	*Lack of Exchangeability*[2]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

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

3.1 Basis of preparation of consolidated financial statements

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

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

The Group incurred a loss of approximately RMB85,059,000 for the year ended 31 December 2024 and, as at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB209,256,000 and the Group's total liabilities exceeded its total assets by approximately RMB159,627,000, while the Group had cash and cash equivalents of approximately RMB3,689,000.

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

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

(i) The Group has been actively negotiating with certain banks on new source of borrowings;

(ii) the Group has been actively negotiating with certain banks to refinance the existing loan facilities from banks;

(iii) the Group has been actively negotiating with investors on new source of funding by placing of new shares;

(iv) the Group has been actively negotiating with the lessors for extension of repayment of the outstanding lease payments included in other payables and accruals and lease liabilities; and

(v) the Group will implement effective control on administrative and operating costs to improve the Group's financial performance and position, to finance the Group's operations and to meet the Group's financial obligations as and when they fall due.

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

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

3.1 Basis of preparation of consolidated financial statements *(continued)*

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) successful negotiation with banks on new source of borrowings;

(ii) successfully completing the refinancing of existing loan facilities from banks;

(iii) successful negotiation with investors on new source of funding by placing of new shares;

(iv) successful negotiation with the lessors for extension of repayment of the outstanding lease payments included in other payables and accruals and lease liabilities; and

(v) successfully implementing effective control on administrative and operating costs to improve the Group's financial performance and position, to finance the Group's operations and to meet the Group's financial obligations as and when they fall due.

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

3.2 Material accounting policy information

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

3.2 Material accounting policy information *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

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

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

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

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

3.2 Material accounting policy information *(continued)*

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5 and 29.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of property and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets (such as office equipment and laptop computers). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

3.2 Material accounting policy information *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Right-of-use assets *(continued)*

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "**lease modifications**").

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

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

3.2 Material accounting policy information *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

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

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

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

Foreign currencies

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

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

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

3.2 Material accounting policy information *(continued)*

Foreign currencies *(continued)*

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

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

Borrowing costs

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

Government grants

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

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

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

3.2 Material accounting policy information *(continued)*

Employee benefits

Retirement benefit costs

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

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

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

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

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

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

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

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

3.2 Material accounting policy information *(continued)*

Employee benefits *(continued)*

Retirement benefit costs (continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);

- net interest expense or income; and

- remeasurement.

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

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

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

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the Group reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the Group reduces service cost in the period in which the related service is rendered.

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

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

3.2 Material accounting policy information *(continued)*

Employee benefits *(continued)*

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Shares/Share options granted to employees

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

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

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

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

Taxation

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

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

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

3.2 Material accounting policy information *(continued)*

Taxation *(continued)*

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

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

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

(a) the same taxable entity; or

(b) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

3.2 Material accounting policy information *(continued)*

Property and equipment

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

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

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

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

3.2 Material accounting policy information *(continued)*

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

Cash and cash equivalents

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

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

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

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

3.2 Material accounting policy information *(continued)*

Cash and cash equivalents *(continued)*

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

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

Inventories

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

Provisions

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

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

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

Financial instruments

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

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

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

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("**FVTOCI**") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

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

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

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

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

The Group always recognises lifetime ECL for trade receivables.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

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

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

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

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

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

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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

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

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

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Foreign exchange gains and losses

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

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

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

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

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

3.2 Material accounting policy information *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Financial liabilities

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

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Deferred tax asset

As at 31 December 2024, a deferred tax asset of approximately RMB5,816,000 (2023: RMB13,679,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately RMB734,760,000 (2023: RMB699,925,000) for certain subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Provision of ECL for trade receivables

Trade receivables are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 40.

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

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

As at 31 December 2024, the carrying amounts of property and equipment, right-of-use assets and intangible assets subject to impairment assessment were approximately RMB17,215,000, RMB50,871,000 and RMB965,000 (2023: RMB26,084,000, RMB115,462,000 and RMB1,191,000), respectively, after taking into account the impairment losses of approximately RMB6,965,000, RMB15,836,000 and RMB17,108,000 (2023: RMB11,627,000, RMB13,398,000 and RMB17,108,000) in respect of property and equipment, right-of-use assets and intangible assets that have been recognised, respectively. Details of the impairment of property and equipment, right-of-use assets and intangible assets are disclosed in Notes 16, 17 and 18, respectively.

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Types of goods or services		
Restaurant operations	**309,599**	441,610
Sale of packed foods	**4,678**	7,208
Management fee from franchisee	**79**	1,721
Total	**314,356**	450,539
Timing of revenue recognition		
A point in time	**314,277**	448,818
Over time	**79**	1,721
Total	**314,356**	450,539

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

Restaurant operations

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

Sale of packed foods

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

Management fee from franchisee

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

5. REVENUE *(continued)*

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

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Within one year	**8,533**	8,495
More than one year	**419**	265
	8,952	8,760

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

6. OPERATING SEGMENTS

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

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

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	Year ended 31 December		**31 December**	31 December
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**276,596**	391,187	**66,939**	135,656
Hong Kong	**37,760**	59,352	**2,112**	7,081
	314,356	450,539	**69,051**	142,737

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

Information about major customers

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2024 and 2023.

7. OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Additional tax deduction (Note a)	**–**	9,697
Interest income	**64**	621
Government grants (Note b)	**3**	551
Dividend income from equity investments at FVTOCI	**–**	300
Management fee income	**398**	179
Others	**112**	392
	577	11,740

(a) The amounts represent the additional input value added tax deduction, pursuant to the announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC, which become effective from 1 April 2019 onwards and was terminated as at 31 December 2023.

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

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Gain on disposal of a subsidiary	**979**	1,721
Loss on deregistration of subsidiaries and branches	**(3,369)**	–
Foreign exchange differences, net	**(4)**	(4)
Impairment losses (recognised) reversed in respect of		
– property and equipment	**(2,037)**	732
– right-of-use assets	**(10,703)**	(5,841)
– trade receivables	**–**	1,125
– other receivables	**(2,916)**	2,720
Provision of litigation compensation	**(3,232)**	(5,000)
Gain on early termination of leases	**8,244**	379
Loss on disposal of property and equipment	**(2,854)**	(1,637)
Fair value loss of financial liabilities at FVTPL	**(3,358)**	–
	(19,250)	(5,805)

9. FINANCE COSTS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest on bank loans	**993**	1,484
Interest on lease liabilities	**6,228**	9,426
	7,221	10,910

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Under (over) provision in prior years		
PRC Enterprise Income Tax	**934**	(606)
Deferred tax (Note 32)	**14,052**	7,614
	14,986	7,008

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

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

No provision for taxation in Hong Kong has been made as the Group has no assessable profit for both years.

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

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

10. INCOME TAX EXPENSE *(continued)*

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss before tax	**(70,073)**	(40,162)
Tax at the statutory tax rate of 25% (2023: 25%)	**(17,518)**	(10,041)
Tax effect of income not taxable for tax purpose	**(1,237)**	(1,507)
Tax effect of expenses not deductible for tax purpose	**221**	1,253
Under (over) provision in respect of prior years	**934**	(606)
Tax effect of tax losses not recognised	**35,314**	24,491
Utilisation of tax losses previously not recognised	**(2,728)**	(6,582)
Income tax expense for the year	**14,986**	7,008

11. LOSS FOR THE YEAR

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of inventories recognised as an expense	**110,894**	151,547
Depreciation of property and equipment	**9,628**	18,027
Depreciation of right-of-use assets	**46,269**	62,006
Amortisation of intangible assets	**226**	249
Auditor's remuneration	**980**	1,080
Employee benefit expense (including directors' emoluments (Note 12)):		
Wages and salaries	**108,724**	146,381
Defined contribution pension schemes	**8,183**	13,917
Share Award Scheme expenses	**–**	1,334
	116,907	161,632

12. DIRECTORS' EMOLUMENTS

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

Year ended 31 December 2024

	Ms. Wang Huili (Note (i)) RMB'000	Mr. Gu Dorson (Note (ii)) RMB'000	Ms. Ping Guoqin (Note (iii)) RMB'000	Total RMB'000
A) EXECUTIVE DIRECTORS				
Fees	–	–	–	–
Other emoluments				
Salaries, allowances and benefits in kind	**132**	**420**	**100**	**652**
Subtotal	**132**	**420**	**100**	**652**

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

	Ms. Wang Huili (Note (i)) RMB'000	Ms. Wu Wen (Note (iv)) RMB'000	Total RMB'000
B) NON-EXECUTIVE DIRECTORS			
Fees	–	–	–
Other emoluments			
Salaries, allowances and benefits in kind	**82**	**165**	**247**
Subtotal	**82**	**165**	**247**

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

12. DIRECTORS' EMOLUMENTS *(continued)*

Year ended 31 December 2024 *(continued)*

	Mr. Leung Yiu Cho (Note (v)) RMB'000	Mr. Zhang Zhenyu RMB'000	Ms. Li Yuping (Note (vi)) RMB'000	Ms. Hu Xiaoqi (Note (vii)) RMB'000	Total RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS					
Fees	**165**	**165**	**82**	**83**	**495**
Other emoluments	**–**	**–**	**–**	**–**	**–**
Subtotal	**165**	**165**	**82**	**83**	**495**

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

Total	**1,394**

Year ended 31 December 2023

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

12. DIRECTORS' EMOLUMENTS *(continued)*

Year ended 31 December 2023 *(continued)*

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

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

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

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

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

Total	4,399

Note (i): Ms. Wang Huili was re-designated as an executive director of the Company with effect from 28 June 2024 and resigned as an executive director of the Company with effect from 21 January 2025.

Note (ii): Mr. Gu Dorson retired as an executive director of the Company with effect from 28 June 2024 and was reappointed as an executive director of the Company with effect from 21 January 2025.

Note (iii): Ms. Ping Guoqin retired as an executive director of the Company with effect from 28 June 2024.

Note (iv): Ms. Wu Wen resigned as a non-executive director of the Company with effect from 21 January 2025.

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

Note (vi): Ms. Li Yuping retired as an independent non-executive director of the Company with effect from 28 June 2024.

Note (vii): Ms. Hu Xiaoqi was appointed as an independent non-executive director of the Company with effect from 28 June 2024.

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

Note (ix): Ms. Gu Lina was appointed as a non-executive director of the Company with effect from 21 January 2025.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included nil* (2023: two directors) director, details of whose remuneration are set out in Note 12 above. Details of the remuneration for the year of the remaining five (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,079**	2,503
Pension scheme contributions	**239**	189
	2,318	2,692

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

	Year ended 31 December	
	2024	2023
	No. of employees	No. of employees
Nil to HK$1,000,000	**5**	2
HK$1,000,001 to HK$1,500,000	**–**	1
	5	3

* Mr. Gu, Dorson, who was retired as an executive director of the Company with effect from 28 June 2024, was one of the five highest paid employees during the year. His remuneration as an executive director and an employee of the Company during the year was included in the remuneration as five highest paid employees table above.

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

15. LOSS PER SHARE

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(85,078)**	(45,418)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,192,207,000**	2,168,864,000

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

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both 2024 and 2023.

16. PROPERTY AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
At 1 January 2023	352,787	88,767	5,474	2,955	449,983
Additions	1,340	850	–	2,370	4,560
Disposals	(69,900)	(15,785)	(4)	–	(85,689)
Transfers	2,844	370	–	(3,214)	–
Exchange adjustments	388	99	–	–	487
At 31 December 2023	**287,459**	**74,301**	**5,470**	**2,111**	**369,341**
Additions	**565**	**810**	**–**	**4,424**	**5,799**
Disposals	**(61,366)**	**(13,011)**	**(4)**	**–**	**(74,381)**
Disposal through disposal of subsidiary	**(23,983)**	**(4,260)**	**(941)**	**–**	**(29,184)**
Transfers	**6,383**	**91**	**–**	**(6,474)**	**–**
Exchange adjustments	**195**	**50**	**–**	**–**	**245**
At 31 December 2024	**209,253**	**57,981**	**4,525**	**61**	**271,820**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2023	331,370	73,615	4,547	–	409,532
Provided for the year	15,411	2,204	412	–	18,027
Impairment loss (reversed) recognised in profit or loss	(754)	(73)	95	–	(732)
Eliminated on disposals	(69,830)	(14,218)	(4)	–	(84,052)
Exchange adjustments	387	95	–	–	482
At 31 December 2023	**276,584**	**61,623**	**5,050**	**–**	**343,257**
Provided for the year	**8,428**	**993**	**207**	**–**	**9,628**
Impairment loss recognised in profit or loss	**1,544**	**452**	**41**	**–**	**2,037**
Eliminated on disposals	**(61,086)**	**(10,441)**	**–**	**–**	**(71,527)**
Eliminated on disposal of subsidiary	**(23,983)**	**(4,104)**	**(911)**	**–**	**(28,998)**
Exchange adjustments	**164**	**44**	**–**	**–**	**208**
At 31 December 2024	**201,651**	**48,567**	**4,387**	**–**	**254,605**
CARRYING VALUES					
At 31 December 2024	**7,602**	**9,414**	**138**	**61**	**17,215**
At 31 December 2023	10,875	12,678	420	2,111	26,084

16. PROPERTY AND EQUIPMENT *(continued)*

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

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

Impairment assessment

As at 31 December 2024 and 2023, in view of the unsatisfied performance for the periods and unfavourable future prospects of some restaurants, the management of the Group concluded there were impairment indications for these restaurants. As at 31 December 2024 and 2023, the management of the Group also noticed that some restaurants achieved significant improvement in their operations as a result of the optimization of the internal management and the Chinese government adjusted its pandemic prevention policies in December 2022, and concluded that there were indications that the impairment losses recognized in prior years for the relevant restaurants may no longer exist or may have decreased. The Group estimated the recoverable amounts of above restaurants (cash generating units ("CGUs")) to which the asset belongs when it is not possible to estimate the recoverable amounts individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the remaining lease periods which are between 0 to 5 years with a pre-tax discount rate of 13.2% as at 31 December 2024 (2023: 8.5%). The annual growth rate used is 4.25% (2023: 4.25%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. The cash flows beyond the 5-year period are extrapolated using 4.25% growth rate (2023: 4.25%). Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development.

Based on the result of the assessment, management of the Group determined that 1) the recoverable amount of certain cash-generating unit is lower than the carrying amount. The impairment amount has been allocated to each category of property and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero; and 2) the recoverable amount of certain cash-generating unit is higher than the carrying amount. The reversal of impairment amount has been allocated to each category of property and equipment and right-of-use assets such that the carrying amount of each category of asset is not increased above its recoverable amount (if determinable) and the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Based on the value in use calculation and the allocation, impairment loss recognised of approximately RMB2,037,000 (2023: reversal of approximately RMB732,000) has been made against the carrying amount of property and equipment, and impairment loss recognised of approximately RMB10,703,000 (2023: RMB5,841,000) has been made against the carrying amount of right-of-use assets within the relevant functions to which these assets relate.

17. RIGHT-OF-USE ASSETS

	Leased properties RMB'000
As at 31 December 2024	
Carrying amount	**50,871**
As at 31 December 2023	
Carrying amount	115,462
For the year ended 31 December 2024	
Depreciation charge	**46,269**
Impairment loss recognised in profit or loss	**10,703**
For the year ended 31 December 2023	
Depreciation charge	62,006
Impairment loss recognised in profit or loss	5,841

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Expense relating to short-term leases	**2,107**	2,374
Variable lease payments not included in the measurement of lease liabilities	**2,103**	278
Total cash outflow for leases	**70,678**	87,123
Additions to right-of-use assets	**18,506**	21,477

For both years, the Group leases restaurant properties for its operations. Lease contracts are entered into for fixed term of 2 years to 8 years (2023: 2 years to 8 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

In addition, lease liabilities of RMB73,803,000 are recognised with related right-of-use assets of approximately RMB50,871,000 as at 31 December 2024 (2023: lease liabilities of RMB152,006,000 are recognised with related right-of-use assets of approximately RMB115,462,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in Notes 30 and 40b.

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

18. INTANGIBLE ASSETS

	Trademark RMB'000	Software RMB'000	Total RMB'000
COST			
At 1 January 2023, 31 December 2023 and 31 December 2024	**18,589**	**20,784**	**39,373**
AMORTISATION AND IMPAIRMENT			
At 1 January 2023	18,589	19,344	37,933
Charge for the year	–	249	249
At 31 December 2023	**18,589**	**19,593**	**38,182**
Charge for the year	**–**	**226**	**226**
At 31 December 2024	**18,589**	**19,819**	**38,408**
CARRYING VALUES			
At 31 December 2024	**–**	**965**	**965**
At 31 December 2023	–	1,191	1,191

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

Trademark	10 years
Software	5–10 years

As at 31 December 2024, impairment of trademark amounted to RMB17,108,000 (2023: RMB17,108,000) has been recognised.

19. EQUITY INVESTMENTS AT FVTOCI

	Notes	**31 December 2024 RMB'000**	31 December 2023 RMB'000	% of equity interest held by the Group
United States listed equity investments, at FVTOCI: 眾鉅有限合夥企業 Zhongju Limited Partnership Enterprise ("**Zhongju LPE**")	(a)	**–**	–	2.94%
Unlisted equity investments, at FVTOCI: 上海眾橫快建品牌管理有限公司 Shanghai Zhong Heng Kuai Jian Brand Management Co., Ltd.*	(b)	**–**	–	16.67%
鹽城冠華水產有限公司 Yancheng Guanhua Aquatic Products Co., Ltd.* ("**Yancheng Guanhua**")	(c)	**–**	–	0.00%
		–	–	
		–	–	

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

(a) In 2015, Shanghai Xiao Nan Guo Restaurant Co., Ltd., an indirect wholly-owned subsidiary of the Company, the general partner of Zhongju LPE ("**Zhongju GP**") and other investors, which are independent third parties of the Company (the "**Other Zhongju Investors**") entered into a limited partnership agreement ("**Zhongju LP Agreement**") for the establishment of the Zhongju LPE, pursuant to which Shanghai Xiao Nan Guo (as one of the limited partners) agreed to invest RMB3,168,000 in Zhongju LPE (representing approximately 2.94% of the relevant total partners' capital, equivalent to 0.44% of the issued share capital of Mercurity Fintch Holding Inc.). No fair value change for the year ended 31 December 2024 (2023: Nil) was recognised in other comprehensive income. An accumulated decrease in fair value as of 31 December 2024 with an amount of RMB2,421,000 (31 December 2023: RMB2,421,000) was recognised in other comprehensive income.

(b) On 15 July 2015, the Group acquired a 20% equity interest in Shanghai Zhong Heng Kuai Jian Brand Management Co., Ltd., an unlisted brand management company with approximately RMB4,000,000. The equity investment was subsequently diluted to 16.67% due to the share capital injection from other investors.

The fair values of the unlisted equity securities are determined by reference to the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. Full impairment had been recognised in prior years and no fair value change for the year ended 31 December 2024 (2023: Nil) was recognised in other comprehensive income.

(c) On 29 June 2013, the Group acquired a 24.01% equity interest in an unlisted aquatic company with approximately RMB10,000,000. In 2021, the Group has disposed half of the equity interest of the company. After the disposal, the Group held 12.0% of the equity interest of Yancheng Guanhua in total.

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

* The English names are for identification purpose only.

20. INVENTORIES

	31 December 2024 RMB'000	31 December 2023 RMB'000
Food and beverages, and other operating items, net	**5,478**	5,098

21. TRADE RECEIVABLES

	31 December 2024 RMB'000	31 December 2023 RMB'000
Trade receivables	**4,434**	7,191
Less: Allowance for credit losses	**(981)**	(1,751)
	3,453	5,440

As at 1 January 2023, trade receivables from contracts with customers amounted to approximately RMB4,760,000.

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

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
0 – 30 days	**921**	3,203
31 – 60 days	**52**	47
61 – 90 days	**12**	40
Over 90 days	**2,468**	2,150
	3,453	5,440

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB2,428,000 (2023: RMB4,793,000) which are past due as at the reporting date. Out of the past due balances of approximately RMB1,488,000 (2023: RMB1,503,000) has been past due 90 days or more and is not considered as in default.

Details of impairment assessment of trade receivables are set out in Note 40.

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

	Notes	**31 December 2024 RMB'000**	31 December 2023 RMB'000
Deposits and other receivables	(i)	**39,215**	57,796
Input VAT recoverable		**2,427**	4,608
Prepaid expense		**3,454**	6,100
Prepayments		**3,138**	7,941
		48,234	76,445
Impairment allowance		**(13,200)**	(26,334)
		35,034	50,111
Current		**16,448**	26,812
Non-current	(ii)	**18,586**	23,299
		35,034	50,111

Details of impairment assessment of deposits and other receivables are set out in Note 40.

Notes:

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

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

23. AMOUNTS DUE FROM (TO) RELATED PARTIES

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

24. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Bank balances and cash	**3,689**	20,434
Restricted bank deposits (Note)	**6,224**	4,098
Time deposits with original maturity of less than three months	**–**	224
	9,913	24,756
Less: Restricted bank deposits – Current portion	**(6,224)**	(4,098)
Cash and cash equivalents	**3,689**	20,658

Note: As at 31 December 2024, bank balances of approximately RMB6,224,000 (2023: RMB4,098,000) was restricted for pending legal disputes ordered by the court in the PRC. A subsidiary has been disposed of during the year ended 31 December 2023 with restricted bank deposits of approximately RMB4,690,000 as disclosed in Note 37.

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounted to approximately RMB2,704,000 (2023: RMB20,201,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

Details of impairment assessment of cash and cash equivalents and restricted bank deposits are set out in Note 40.

25. TRADE PAYABLES

	31 December 2024 RMB'000	31 December 2023 RMB'000
Trade payables	**65,100**	62,720

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
0 – 90 days	**34,254**	49,239
91 – 365 days	**24,111**	8,901
Over 1 year	**6,735**	4,580
	65,100	62,720

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

26. OTHER PAYABLES AND ACCRUALS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Accruals and other payables	**69,374**	52,612
Payroll and welfare payables	**9,842**	11,559
Accrued construction costs	**9,490**	8,535
Taxes other than corporate income tax	**126**	172
	88,832	72,878

27. BORROWINGS

	31 December 2024 RMB'000	31 December 2023 RMB'000
Bank loans	**21,400**	25,000
Unsecured	**21,400**	25,000
The carrying amounts of the above borrowings are repayable*:		
Within one year	**21,400**	25,000
The carrying amounts of above borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**–**	–
	21,400	25,000
Less: Amounts due within one year shown under current liabilities	**(21,400)**	(25,000)
Amounts shown under non-current liabilities	**–**	–

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

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Fixed-rate borrowings	**21,400**	25,000

27. BORROWINGS *(continued)*

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

	Year ended 31 December	
	2024	2023
Effective interest rates		
Fixed-rate borrowings	**3.10% to 3.90%**	3.65% to 4.20%

28. FINANCIAL LIABILITIES AT FVTPL

	2024	2023
	RMB'000	RMB'000
Daily revenue contract ("**DRC**")	**11,898**	–

DRC is a contractual agreement with an investor in which the investor agrees to provide funding to the Company for its business operations and the Company agrees to share a percentage of revenue generated during the contract period. Daily revenue obligation ("**DRO**") is an instrument that is tradable, registered, and custodied on Micro Connect Macao Financial Assets Exchange, representing economic entitlements to its corresponding DRC.

DRC is initially recorded at fair value with reference to projected cash flow, expected life span of DRC and discount rate. Revenue sharing paid to DRO Investors reduces the carrying value of the DRC. The DRC is revalued at each reporting date at its fair value.

29. CONTRACT LIABILITIES

	31 December 2024	31 December 2023
	RMB'000	RMB'000
Advances from customers	**8,533**	8,417
Deferred income	**419**	343
	8,952	8,760

As at 1 January 2023, contract liabilities amounted to approximately RMB7,696,000.

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year	**6,414**	7,516

30. LEASE LIABILITIES

	31 December 2024 RMB'000	31 December 2023 RMB'000
Lease liabilities payable:		
Within one year	**28,479**	61,507
Within a period of more than one year but not exceeding five years	**41,693**	81,123
Within a period of more than five years	**3,631**	9,376
	73,803	152,006
Less: Amount due for settlement within 12 months shown under current liabilities	**(28,479)**	(61,507)
Amount due for settlement after 12 months shown under non-current liabilities	**45,324**	90,499

The weighted average incremental borrowing rate applied to lease liabilities is 5.66% (2023: 5.65%).

31. RESTORATION PROVISIONS

	RMB'000
At 1 January 2023	5,443
Utilisation of provision	(989)
At 31 December 2023	**4,454**
Utilisation of provision	**(761)**
At 31 December 2024	**3,693**

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

32. DEFERRED TAX ASSETS

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Deferred tax assets	**11,099**	25,061

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

	Impairment of property and equipment RMB'000	**Fair value adjustments of equity investments at FVTOCI** RMB'000	**Tax losses** RMB'000	**Right-of-use assets** RMB'000	**Lease liabilities** RMB'000	**Total** RMB'000
At 1 January 2023	139	1,000	29,251	(38,872)	41,157	32,675
Credit (charge) to profit or loss	1,921	–	(15,572)	11,670	(5,633)	(7,614)
At 31 December 2023	**2,060**	**1,000**	**13,679**	**(27,202)**	**35,524**	**25,061**
(Charge) credit to profit or loss	**(1,825)**	**–**	**(7,863)**	**21,592**	**(25,956)**	**(14,052)**
At 31 December 2024	**235**	**1,000**	**5,816**	**(5,610)**	**9,568**	**11,009**

At the end of the reporting period, the Group has unused tax losses of approximately RMB758,022,000 (2023: RMB754,641,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB23,262,000 (2023: RMB54,716,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately RMB734,760,000 (2023: RMB699,925,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB539,615,000 that will expire from 2025 to 2029 (2023: RMB556,844,000 that will expire from 2024 to 2028). Other losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB49,717,000 (2023: RMB109,863,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the state regulations of the PRC, the subsidiaries in the PRC participate in a defined contribution pension scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The subsidiaries are required to make contributions to the local social security bureau at 13% to 24% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the subsidiaries in the PRC.

In compliance with the Mandatory Provident Fund Schemes Ordinance (the "**MPF Ordinance**"), the subsidiaries in Hong Kong have participated in an MPF scheme, which is a defined contribution scheme managed by an independent trustee, to provide retirement benefits to their Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

For the years ended 31 December 2024 and 2023, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions which were available for utilisation by the Group to reduce the existing level of contributions to the MPF Scheme and the Central Pension Schemes.

34. SHARE CAPITAL

	Number of shares		**Share capital**	
	31 December 2024 '000	31 December 2023 '000	**31 December 2024 RMB'000**	31 December 2023 RMB'000
Authorised:				
At beginning and end of the year	**10,000,000**	10,000,000	**83,112**	83,112
Issued and fully paid:				
At beginning and end of the year	**2,213,031**	2,213,031	**18,393**	18,393
Treasury shares:				
At beginning and end of the year	**36,667**	11,477	**2,274**	894
Repurchase of shares	**12,983**	25,190	**432**	1,380
Transfer of treasury shares to Share Award Scheme reserve	**(49,650)**	–	**(2,706)**	–
At end of the year	**–**	36,667	**–**	2,274

35. OTHER RESERVES AND ACCUMULATED LOSSES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

a. Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

b. Share premium

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

c. Capital redemption reserves

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

d. Capital reserve

The Group's capital reserve mainly represents the fair value of the equity interest in Xiao Nan Guo Holdings Limited transferred to the Company from its holding company with no consideration as part of the Reorganisation and the additional contribution made by the shareholders of the Company's subsidiaries and, in the case of acquisition of an additional non-controlling interest in a subsidiary, the difference between the cost of acquisition and the book value of the non-controlling interest acquired.

e. Merger reserve

The merger reserve represents the excess of the nominal value of the paid-in capital of the subsidiaries acquired pursuant to the Reorganisation over the carrying amount of the investments in these subsidiaries.

f. Statutory reserve

In accordance with the Company Law of the PRC and the respective articles of association of the group companies, companies that are domiciled in the PRC are required to allocate 10% of their profit after tax, as determined in accordance with PRC GAAP, to the statutory reserve until the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

Statutory reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

g. Translation reserve

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

h. Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in Note 3 to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

i. Revaluation reserve

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

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

The rights issue of shares on the basis of one share for every two existing shares ("**Rights Issue**") was completed on 18 July 2016. As a result of the completion of the Rights Issue, the Company made adjustments to the exercise price and the number of outstanding share options granted by the Company pursuant to the terms of a share option scheme adopted by the Company on 4 July 2012 (the "**Share Option Scheme**").

(1) Share Option Scheme

The Company adopted Share Option Scheme which became effective on 4 July 2012. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

The Board of directors may, at its absolute discretion, offer an option to eligible participants to subscribe for the shares of the Company (the "**Shares**") at an exercise price and subject to other terms under the Share Option Scheme. The total number of the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000, being 10% of the total number of the Shares in issue at the time when dealings of the Shares first commence on the Stock Exchange.

The total number of the Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 4 July 2012. The exercise prices of options granted before 2017 under this scheme were of HK$0.99, HK$1.29 or HK$1.49 after exercise price adjustment due to the Rights Issue (HK$1, HK$1.3 or HK$1.5 before the adjustment).

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

(1) Share Option Scheme *(continued)*

There were no share options granted during the years ended 31 December 2024 and 2023.

The following share options were outstanding under the Share Option Scheme during the years ended 31 December 2024 and 2023:

	Year ended 31 December 2024		Year ended 31 December 2023	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At the beginning of the year		**7,688**		13,576
Lapsed during the year	**0.878**	**(6,005)**	1.415	(5,888)
At the end of the year		**1,683**		7,688

No share options under the Share Option Scheme were exercised during the years ended 31 December 2024 and 2023.

The exercise period of the share options granted commences after a vesting period of four years and ends on a date which is 9 years from the date of offer of the share options or the expiry dates of the Share Option Scheme, if earlier.

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 31 December 2024 are as follows:

Number of options '000	**Exercise price** HK$ per share	**Exercise period**
227	1.29	1 January 2016 to 31 December 2024
1,456	0.99	1 January 2016 to 31 December 2024
1,683		

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

(1) Share Option Scheme *(continued)*

The Group did not recognise share option expense for the year ended 31 December 2024 (2023: Nil). The Group transferred RMB8,503,000 from share option reserve to accumulated losses for the shares lapsed during the year ended 31 December 2024 (2023: RMB3,510,000).

As at 31 December 2024, the Company had 1,683,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,683,000 additional ordinary shares of the Company and additional share capital of RMB16,000 and share premium of RMB1,593,000 (before issue expenses).

(2) Share Award Scheme

A share award scheme (the "**Share Award Scheme**") was approved and adopted by the Board of directors on 20 December 2019 and revised on 25 November 2021, under which the executive committee of the Share Award Scheme (the "**Executive Committee**"), upon the authorisation of the Board of directors, may from time to time at its absolute discretion select any employee of any member of the Group for participation in the Share Award Scheme as a selected employee (the "**Selected Employee(s)**"), and grant awarded shares (the "**Awarded Shares**") to any Selected Employee. The Selected Employees are not required to pay any price to receive the Awarded Shares.

The Share Award Scheme shall be subject to the administration of the Board of directors and the trustee of the Share Award Scheme (the "**Trustee**") in accordance with the scheme rules and the trust deed. The Trustee shall hold the trust fund in accordance with the terms of the trust deed.

The Executive Committee authorised by the Board of directors may from time to time cause to be paid a contributed amount to the Trust by way of settlement or otherwise which shall constitute part of the trust fund, for the purchase or subscription (as the case may be) of Shares and other purposes set out in the scheme rules and the trust deed. In connection with the implementation of the Share Award Scheme, the Executive Committee may from time to time instruct the Trustee to purchase the Shares on the Stock Exchange and to hold them in trust for the benefit of the Selected Employees on and subject to the terms and conditions of the scheme rules and the trust deed.

The purposes of the Scheme are (i) to recognise the contributions by certain Employees and to provide them incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Share Award Scheme shall be valid for five years commencing from the adoption date.

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

(2) Share Award Scheme *(continued)*

Details of Share Awards granted under the Share Award Scheme

Details of share award granted during the years ended 31 December 2024 and 2023 are as follows:

Date of grant	Average fair value per share at date of grant	Number of awarded shares	Number of awarded shares vested during the year ended 31 December 2024	2023	Vesting period
25 November 2021	HK$0.062	58,952,933	–	–	25 November 2021
25 November 2021	HK$0.062	57,219,021	–	–	25 November 2021 to 24 November 2022
25 November 2021	HK$0.062	57,219,021	–	57,219,021	25 November 2021 to 24 November 2023

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

Note:

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

The Group recognised the total expense of RMBNil for the year ended 31 December 2024 (2023: RMB1,334,000) in relation to the Awarded Shares granted by the Company.

37. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2024, the Group had entered into a sales and purchase agreement with an independent third party to dispose of its entire equity interests in 上海新區小南國餐飲管理有限公司 Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd.* ("**Xinqu XNG**") at a consideration of RMB1. The disposal was completed in April 2024, on which date control of Xinqu XNG passed to the acquirer. The net liabilities of Xinqu XNG at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property and equipment	**186**
Right-of-use assets	**2,567**
Prepayments, deposits and other receivables	**287**
Lease liabilities	**(4,019)**
Net liabilities disposed of	**(979)**
Gain on disposal of a subsidiary:	
Consideration received	**–**
Net liabilities disposed of	**979**
Gain on disposal	**979**
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	**–**

37. DISPOSAL OF A SUBSIDIARY *(continued)*

During the year ended 31 December 2023, the Group had entered into a sales and purchase agreement with an independent third party to dispose of its entire equity interests in 上海米芝蓮餐飲管理有限公司 Shanghai Mizhilian Restaurant Management Co., Ltd. ("**Mizhilian**") at a consideration of Nil. The disposal was completed on 13 December 2023, on which date control of Mizhilian passed to the acquirer. The net liabilities of Mizhilian at the date of disposal were as follows:

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

* The English name is for identification purpose only.

38. CAPITAL COMMITMENTS

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Capital expenditure in respect of the additions of leasehold improvements contracted for but not provided in the consolidated financial statements	**4,169**	7,588

39. CAPITAL RISK MANAGEMENT

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the reporting periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing borrowings, trade payables, other payables and accruals, contract liabilities, amounts due to related parties and financial liabilities at FVTPL, less cash and cash equivalents and restricted bank deposits. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000
Borrowings	**21,400**	25,000
Trade payables	**65,100**	62,720
Other payables and accruals	**88,832**	72,878
Contract liabilities	**8,952**	8,760
Amounts due to related parties	**23,696**	3,944
Financial liabilities at FVTPL	**11,898**	–
Less: Cash and cash equivalents	**(3,689)**	(20,658)
Restricted bank deposits	**(6,224)**	(4,098)
Net debt	**209,965**	148,546
Deficits attributable to owners of the Company	**(161,231)**	(75,345)
Capital and net debt	**48,734**	73,201
Gearing ratio	**430.84%**	202.93%

40. FINANCIAL INSTRUMENTS

40a. Categories of financial instruments

	31 December 2024 RMB'000	31 December 2023 RMB'000
Financial assets		
Amortised cost	**43,190**	64,465
Equity instruments at FVTOCI	**–**	–
Financial liabilities		
Amortised cost	**272,705**	316,376
Designated at FVTPL	**11,898**	–

40b. Financial risk management objectives and policies

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

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 27 for details of these borrowings) and lease liabilities (see Note 30 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 24 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances arising from the Group's Hong Kong dollar denominated borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

40. FINANCIAL INSTRUMENTS *(continued)*

40b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interest income under effective interest method	**64**	621

Interest expense on financial liabilities not measured at FVTPL:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Financial liabilities at amortised cost	**993**	1,484

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments at the end of the reporting period were outstanding for the whole year. A 100 basis points (2023: 100 basis points) increase or decrease which represents management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 100 basis points (2023: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2024 would decrease/increase by approximately RMB29,000 (2023: RMB190,000).

Credit risk and impairment assessment

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

40. FINANCIAL INSTRUMENTS *(continued)*

40b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

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

Trade receivables arising from contracts with customers

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

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

Trade receivables from financial institutions in connection to settlements by credit cards by the customers are with high credit rating and have no past due history. The directors of the Company consider these assets are short-term in nature and the probability of default is negligible on the basis of the high-credit-rating issuers as at 31 December 2024 and 2023; and accordingly, no loss allowance was recognised. The management considered the probability of default of trade receivables with delivery agents and other payment channels is low since there is no overdue balance, and after taking into the account of the past default experience of the debtors and adjusted for general economic conditions of the industry at the reporting date. Accordingly, the directors of the Company are of the opinion that the credit risk of these trade receivables is limited.

Restricted bank deposits/bank balances

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

Other receivables and deposits

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for the other receivables that are past due, the management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2024 and 2023, the Group assessed the ECL for other receivables and deposits and impairment loss of approximately RMB2,916,000 is recognised (2023: RMB2,720,000 is reversed).

40. FINANCIAL INSTRUMENTS *(continued)*

40b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

Amounts due from related parties

The Group regularly monitors the business performance of the related parties. The Group's credit risks in this balance are mitigated through the value of the assets held by these entities. The management believes that there is no significant increase in credit risk of this amount since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2024 and 2023, the Group assessed the ECL for amounts due from related parties is insignificant and thus no loss allowance is recognised.

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	Amount is >30 days past due or there have been significant increases in credit risk since initial recognition through information developed internally	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

40. FINANCIAL INSTRUMENTS *(continued)*

40b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

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

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2024 Gross carrying amount HK$'000	2024 Gross carrying amount HK$'000	2023 Gross carrying amount HK$'000	2023 Gross carrying amount HK$'000
Financial assets at amortised cost								
Trade receivables – contracts with customers	21	N/A	Low risk	Lifetime ECL (individual assessment)	**3,453**		5,440	
		N/A	Loss	Lifetime ECL (individual assessment)	**981**	**4,434**	1,751	7,191
Other receivables and deposits	22	N/A	Low risk	12m ECL	**26,015**		31,462	
		N/A	Loss	Lifetime ECL – credit-impaired	**13,200**	**39,215**	26,334	57,796
Amounts due from related parties	23	N/A	Low risk	12m ECL		**3,809**		2,807
Restricted bank deposits	24	A2	N/A	12m ECL		**6,224**		4,098
Cash and cash equivalents	24	Baa3-Aa3	N/A	12m ECL		**3,689**		20,658

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

40. FINANCIAL INSTRUMENTS *(continued)*

40b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

2024

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
Other receivables and deposits	**13,200**	**26,015**	**39,215**
Amounts due from related parties	**–**	**3,809**	**3,809**

2023

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

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

	Trade receivable – Lifetime ECL (individual assessment) RMB'000
As at 1 January 2023	2,869
Write-offs	(1,125)
Exchange adjustments	7
As at 31 December 2023	**1,751**
Write-offs	**(771)**
Exchange adjustments	**1**
As at 31 December 2024	**981**

40. FINANCIAL INSTRUMENTS *(continued)*

40b. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment *(continued)*

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

	Other receivables and deposits – Lifetime ECL (individual assessment) RMB'000
As at 1 January 2023	28,622
Impairment losses reversed	(2,720)
Write-offs	432
As at 31 December 2023	**26,334**
Impairment losses recognised	**2,916**
Write-offs	**(16,038)**
Exchange adjustments	**(12)**
As at 31 December 2024	**13,200**

Liquidity risk

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

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

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

40. FINANCIAL INSTRUMENTS *(continued)*

40b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

Liquidity tables

	Weighted average interest rate %	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
31 December 2024							
Interest-bearing bank loans	**3.69**	**472**	**21,467**	**–**	**–**	**21,939**	**21,400**
Trade payables	**–**	**65,100**	**–**	**–**	**–**	**65,100**	**65,100**
Financial liabilities included in other payables and accruals	**–**	**88,706**	**–**	**–**	**–**	**88,706**	**88,706**
Amounts due to related parties	**–**	**23,696**	**–**	**–**	**–**	**23,696**	**23,696**
Lease liabilities	**5.66**	**9,714**	**21,667**	**45,811**	**3,662**	**80,854**	**73,803**
		187,688	**43,134**	**45,811**	**3,662**	**280,295**	**272,705**

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

40. FINANCIAL INSTRUMENTS *(continued)*

40c. Fair value measurements of financial instruments

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

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

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

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

Financial assets/ financial liabilities	Fair value as at 31 December 2024 RMB'000	2023 RMB'000	Fair value hierarchy	Valuation technique(s) and key inputs	Relationship of key inputs to fair value
Assets					
Unlisted equity securities	**–**	–	Level 3	Discounted cash flow method	A significant increase in the expected yield would result in a significant increase in fair value, and vice versa.
Liabilities					
Financial liabilities at FVTPL – DRC	**11,898**	–	Level 3	Income approach with key inputs of projected cash flow, expected life span of daily revenue contract and discount rate	A significant increase in the projected cash flow would result in a significant increase in fair value, and vice versa. A significant decrease in the discount rate would result in a significant increase in fair value, and vice versa.

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

40. FINANCIAL INSTRUMENTS *(continued)*

40c. Fair value measurements of financial instruments *(continued)*

(ii) Reconciliation of Level 3 fair value measurements

	Financial liabilities at FVTPL RMB'000	Unlisted equity securities RMB'000
At 1 January 2023 and 31 December 2023	–	–
Proceeds from financial liabilities of FVTPL	17,911	–
Repayment of financial liabilities of FVTPL	(9,371)	–
Net fair value change	3,358	–
At 31 December 2024	**11,898**	**–**

Of the total gains or losses for the period included in profit or loss, RMB3,358,000 relates to financial liabilities at FVTPL held at the end of current reporting period (2023: Nil). Fair value gains or losses on financial liabilities at FVTPL are included in 'other gains and losses'.

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

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

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to related parties Note 23 RMB'000	Lease liabilities Note 30 RMB'000	Borrowings Note 27 RMB'000	Total RMB'000
At 1 January 2023	–	209,251	28,400	237,651
Financing cash flows	3,944	(84,471)	(4,980)	(85,507)
New leases entered/lease modified (Note 42)	–	21,477	–	21,477
Interest expenses	–	9,426	1,484	10,910
Lease terminated	–	(3,827)	–	(3,827)
Exchange adjustments	–	150	96	246
At 31 December 2023	3,944	152,006	25,000	180,950
Financing cash flows	**19,752**	**(66,468)**	**(4,593)**	**(51,309)**
New leases entered/lease modified (Note 42)	**–**	**18,506**	**–**	**18,506**
Interest expenses	**–**	**6,228**	**993**	**7,221**
Lease terminated	**–**	**(32,375)**	**–**	**(32,375)**
Disposal through disposal of subsidiary	**–**	**(4,019)**	**–**	**(4,019)**
Exchange adjustments	**–**	**(75)**	**–**	**(75)**
At 31 December 2024	**23,696**	**73,803**	**21,400**	**118,899**

42. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of restaurant properties for 6 to 8 years. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of approximately RMB18,506,000 and RMB18,506,000 (2023: RMB21,477,000 and RMB21,477,000), respectively.

43. RELATED PARTY TRANSACTIONS

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

Relationships	Nature of balances/transactions	Year ended 31 December 2024 RMB'000	2023 RMB'000
Related companies	Actual spending of pre-paid cards (Note (i))	**2,015**	3,416
	Commission paid for pre-paid cards (Note (i))	**13**	20

Note:

i. The Group entered into a pre-paid card agreement in 2014 with Shanghai Hui Feng Restaurant Management Co., Ltd. ("**Hui Feng**") a company indirectly owned by Wang Bai Xuan Tiffany, who is the daughter of the Controlling Shareholder of the Company. Pursuant to the agreement, the pre-paid cards can be used at the Shanghai Min Restaurants, the WH Ming Hotel as well as other businesses operated by the Controlling Shareholder. The actual spending is the amount which the pre-paid card holders have actually spent at the Shanghai Min Restaurants (including Shanghai Min, Maison De L'Hui, the Dining Room and Shanghai Min's family restaurants) via the pre-paid cards.

   The commission rate payable to Hui Feng is 1% of the actual dining expenses, spent by pre-paid card holders for every bill (before discount (if any)) at the Shanghai Min Restaurants.

Compensation of key management personnel

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

	Year ended 31 December 2024 RMB'000	2023 RMB'000
Short-term employee benefits	**3,341**	4,834
Share Award Scheme expenses	**–**	1,334
	3,341	6,168

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

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

44.1 General information of subsidiaries

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

Name	Place of incorporation/ registration/ operations	Paid up issued/ registered capital '000	Portion of ownership interest and voting right power held by the Company Direct 31 December 2024	2023	Indirect 31 December 2024	2023	Principal activities Notes
Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. 上海浦東小南國餐飲有限公司	PRC	RMB5,000	**–**	–	**100**	100	(1)
Shanghai Xiao Nan Guo Restaurant Co., Ltd. 上海小南國餐飲有限公司	PRC	RMB30,000	**–**	–	**100**	100	(1)
Xinqu XNG***	PRC	RMB500	**–**	–	**–**	100	(1)
Beijing Xiao Nan Guo Restaurant Management Co., Ltd. 北京小南國餐飲管理有限公司	PRC	RMB1,000	**–**	–	**100**	100	(1)
Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. 上海虹梅小南國餐飲有限公司	PRC	RMB5,000	**–**	–	**100**	100	(1)
Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd. 上海長寧小南國餐飲有限公司	PRC	RMB500	**–**	–	**100**	100	(1)
Suzhou Ligongdi Xiao Nan Guo Restaurant Co., Ltd.** 蘇州李公堤小南國餐飲有限公司	PRC	RMB500	**–**	–	**100**	100	(1)
Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. 上海昕怡小南國餐飲管理有限公司	PRC	RMB500	**–**	–	**100**	100	(1)
Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd.** 上海寶山小南國餐飲有限公司	PRC	RMB500	**–**	–	**100**	100	(1)
Shanghai Zhabei Xiao Nan Guo Restaurant Management Co., Ltd. 上海閘北小南國餐飲管理有限公司	PRC	RMB500	**–**	–	**100**	100	(1)

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

44.1 General information of subsidiaries *(continued)*

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

Name	Place of incorporation/ registration/ operations	Paid up issued/ registered capital '000	Portion of ownership interest and voting right power held by the Company Direct 31 December 2024	2023	Indirect 31 December 2024	2023	Principal activities Notes
Wuxi Hui Zhi Nan Restaurant Co., Ltd. 無錫慧之南餐飲有限公司	PRC	RMB500	–	–	**100**	100	(1)
Shanghai Huijie Restaurant Management Co., Ltd. 上海慧捷餐飲管理有限公司*	PRC	RMB30,000	–	–	**100**	100	(1)
Shanghai Xiao Nan Guo Rifeng Restaurant Management Co., Ltd. 上海小南國日豐餐飲管理有限公司*	PRC	RMB20,000	–	–	**100**	100	(1)
Shanghai Nan Xiao Guan Restaurant Management Co., Ltd. 上海南小館餐飲管理有限公司*	PRC	RMB10,000	–	–	**100**	100	(1)
Beijing Nan Zhi Xin Restaurant Management Co., Ltd. 北京南之新餐飲管理有限公司	PRC	RMB500	–	–	**100**	100	(1)
Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd. 上海小南國海之源餐飲管理有限公司*	PRC	RMB450,000	–	–	**100**	100	(2)
Shanghai He Jiang Restaurant Management Co., Ltd. 上海盒匠餐飲管理有限公司*	PRC	HK$20,000	–	–	**65**	65	(1)
Xiao Nan Guo Management Co., Ltd. 小南國管理有限公司	Hong Kong	HK$0.2	–	–	**100**	100	(3)
Xiao Nan Guo Management (Kowloon) Limited 小南國管理(九龍)有限公司	Hong Kong	HK$10	–	–	**100**	100	(3)
The Dinning Room (Kowloon) Management Company Limited 南小館(九龍)管理有限公司	Hong Kong	HK$1	–	–	**100**	100	(3)

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

44.1 General information of subsidiaries *(continued)*

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

Name	Place of incorporation/ registration/ operations	Paid up issued/ registered capital '000	Portion of ownership interest and voting right power held by the Company Direct 31 December 2024	2023	Indirect 31 December 2024	2023	Principal activities Notes
Xiao Nan Guo (Kowloon Bay) Management Limited 小南國(九龍灣)管理有限公司	Hong Kong	HK$10	**–**	–	**100**	100	(3)
Xiao Nan Guo (One Peking) Management Limited 小南國(北京道)管理有限公司	Hong Kong	HK$0.001	**–**	–	**100**	100	(3)
Nan Xiao Guan (Fortune City) Management Limited 南小館(第一城)管理有限公司	Hong Kong	HK$0.001	**–**	–	**100**	100	(3)
X&D HongKong Limited ("**X&D**")	Hong Kong	HK$0.1	**–**	–	**65**	65	(4)
Shanghai Yan Meng Information and Technology Development Co., Ltd. 上海焱萌信息科技發展有限公司	PRC	RMB10,000	**–**	–	**100**	100	(6)
Shanghai Fei Can Restaurant Management Co., Ltd.**** 上海飛燦餐飲管理有限公司	PRC	RMB5,000	**–**	–	**100**	100	(1)

* Registered as a wholly-foreign-owned enterprise under PRC law.
** Deregistered during the year ended 31 December 2024.
*** Disposed during the year ended 31 December 2024.
**** Deregistered subsequent to the year ended 31 December 2024.

Notes:

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

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

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

	31 December 2024	31 December 2023
Percentage of equity interest held by non-controlling interests:		
X&D	**35%**	35%

	Note	**Year ended 31 December 2024 RMB'000**	Year ended 31 December 2023 RMB'000
Profit (loss) for the year allocated to non-controlling interests:			
Mizhilian	(a)	**–**	(1,563)
X&D		**19**	(179)
		19	(1,752)

	31 December 2024 RMB'000	31 December 2023 RMB'000
Accumulated balances of non-controlling interests at the reporting date:		
X&D	**1,604**	1,593

(a) The Group disposed its entire equity interests in Mizhilian. Details of the disposal are set out in Note 37.

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

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

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

	X&D	
	2024	2023
	RMB'000	RMB'000
Revenue	**3,908**	–
Total expenses	**(3,854)**	(526)
Profit (loss) for the year	**54**	(526)
Exchange differences on translation of foreign operations	**(8)**	5
Total comprehensive income (expenses) for the year	**46**	(521)
Current assets	**5,393**	5,349
Non-current asset	**6**	10
Current liabilities	**(817)**	(809)
Cash and cash equivalents	**815**	5,299

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSET		
Investments in subsidiaries	**–**	24,920
CURRENT ASSETS		
Cash and cash equivalents	**577**	2,235
Amounts due from related parties	**582**	–
	1,159	2,235
CURRENT LIABILITY		
Other payables and accruals	**2,907**	–
NET CURRENT LIABILITY	**(1,748)**	–
NET (LIABILITY) ASSETS	**(1,748)**	27,155
CAPITAL AND (DEFICITS) RESERVES		
Share capital	**18,393**	18,393
Treasury shares	**–**	(2,274)
Other reserves and accumulated losses	**(20,141)**	11,036
TOTAL (DEFICITS) EQUITY	**(1,748)**	27,155

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

Movement in the Company's reserves and accumulated losses

	Share premium RMB'000	Capital redemption RMB'000	Capital reserve RMB'000	Translation reserve RMB'000	Share Option reserve RMB'000	Share Award Scheme reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	723,723	27	59,312	228,593	13,495	–	(1,012,358)	12,792
Loss for the year	–	–	–	–	–	–	(4,157)	(4,157)
Exchange differences on translation of foreign operations	–	–	–	1,067	–	–	–	1,067
Total comprehensive income (expense) for the year	–	–	–	1,067	–	–	(4,157)	(3,090)
Lapse of share options (Note 36)	–	–	–	–	(3,510)	–	3,510	–
Share Award Scheme expenses	–	–	–	–	–	1,334	–	1,334
At 31 December 2023	723,723	27	59,312	229,660	9,985	1,334	(1,013,005)	11,036
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(27,782)**	**(27,782)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(689)**	**–**	**–**	**–**	**(689)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**(689)**	**–**	**–**	**(27,782)**	**(28,431)**
Lapse of share options (Note 36)	**–**	**–**	**–**	**–**	**(8,503)**	**–**	**8,503**	**–**
Transfer of treasury shares to Share Award Scheme reserve	**–**	**–**	**–**	**–**	**–**	**(1,334)**	**(1,372)**	**(2,706)**
At 31 December 2024	**723,723**	**27**	**59,312**	**228,971**	**1,482**	**–**	**(1,033,656)**	**(20,141)**

46. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of directors on 31 March 2025.

FIVE YEARS FINANCIAL SUMMARY

RMB'000	2020	2021	2022	2023	**2024**
Revenue	644,386	691,517	325,604	450,539	**314,356**
Cost of sales	(207,658)	(222,702)	(105,854)	(151,547)	**(110,894)**
Gross profit	436,728	468,815	219,750	298,992	**203,462**
Other income	18,142	8,788	9,402	11,740	**577**
Other gains and losses	(123,687)	(39,939)	42,918	(5,805)	**(19,250)**
Selling and distribution costs	(498,374)	(415,988)	(293,534)	(285,212)	**(221,045)**
Administrative expenses	(103,208)	(90,049)	(55,411)	(48,967)	**(26,590)**
Finance costs	(16,283)	(18,783)	(15,859)	(10,910)	**(7,221)**
LOSS BEFORE TAX	(284,796)	(87,156)	(92,734)	(40,162)	**(70,073)**
Income tax (expense) credit	(35,732)	(622)	26,298	(7,008)	**(14,986)**
LOSS FOR THE YEAR	(320,528)	(87,778)	(66,436)	(47,170)	**(85,059)**
Attributable to:					
Owners of the Company	(318,752)	(82,368)	(69,228)	(45,418)	**(85,078)**
Non-controlling interests	(1,776)	(5,410)	2,792	(1,752)	**19**
Total non-current assets	358,647	328,146	274,954	191,097	**98,646**
Total current assets	237,337	202,619	103,382	64,913	**39,101**
Total current liabilities	339,536	302,839	280,667	234,809	**250,181**
TOTAL ASSETS LESS CURRENT LIABILITIES	256,448	227,926	97,669	21,201	**(112,434)**
Total non-current liabilities	137,057	192,235	127,809	94,953	**49,017**
NET ASSETS (LIABILITIES)	119,391	35,691	(30,140)	(73,752)	**(161,451)**

GLOSSARY

"2019 Share Award Scheme"	the share award scheme adopted by the Company on 20 December 2019 and amended on 25 November 2021
"2021 Share Award Scheme"	the share award scheme adopted by the Company on 25 November 2021
"2024 AGM"	the immediately preceding annual general meeting of the Company held on 28 June 2024
"2025 AGM"	the forthcoming annual general meeting of the Company to be held on 27 June 2025
"Articles of Association"	the articles of association of the Company as amended or supplemented from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report only and except where the context requires otherwise, references in this annual report to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Company"	Shanghai XNG Holdings Limited (上海小南国控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 2 February 2010, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3666)
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
"Latest Practicable Date"	25 April 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	4 July 2012, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange

GLOSSARY

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended 31 December 2024
"RMB"	the lawful currency of PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share Option Scheme"	the post-listing share option scheme adopted by the Company which became effective on 4 July 2022
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"treasury shares"	has the meaning ascribed to it under the Listing Rules which came into effect on 11 June 2024, as amended and supplemented from time to time
"%"	per cent