



小菜園國際控股有限公司

Xiaocaiyuan International Holding Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 0999



2024

Annual Report

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HONORS AND AWARDS

As a testament to the popular appeal of our brands and the quality of the dining experiences with us, we have received various honors and awards. The table below sets forth our major honors and awards received for the year.

Honors and Awards	Issuing Authority
Brands Listed on Meituan's Must-Order List for 2024 (2024年美團必點榜上榜品牌)	Meituan and Meituan Waimai
2024 Consumer Sector Impact Franchise Award in the 2024 Forbes China Consumer Sector Annual Selection (福布斯中國 2024 大消費年度影響力連鎖品牌)	Forbes China Group (福布斯中國集團)
Outstanding Contribution to the Governing Body (第六屆突出貢獻理事單位)	China Hospitality Association (中國飯店協會)
Top 100 Restaurant Brands for 2024 (2024年度餐飲品牌力百強)	The Sixth Chinese Restaurants Red Eagle Award Review Committee
Breakthrough Brand for Catering Operation in Central China (華中餐飲經營突破品牌)	Douyin Life Services NKA



Top 100 Restaurant Brands for 2024



Breakthrough Brand for Catering Operation in Central China



CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Shugao (*Chairman and general manager*)
 Mr. Li Daoqing
 Mr. Tian Chunyong
 Mr. Zhou Bin
 Ms. Wang Weifang
 Mr. Tao Xu'an

Non-executive Directors

Ms. Zhu Xuejing (*appointed on March 7, 2025*)
 Mr. Law Wing Cheung Ryan
(resigned on March 7, 2025)

Independent Non-executive Directors

Mr. Qian Mingxing
 Mr. Zhu Nanjun
 Mr. Zeng Xiaosong
 Ms. Fang Xuan

JOINT COMPANY SECRETARIES

Ms. She Mingzhu
 Ms. Au Wing Han (*ACG*)

AUTHORIZED REPRESENTATIVES

Mr. Li Daoqing
 Ms. She Mingzhu

AUDIT COMMITTEE

Mr. Zhu Nanjun (*Chairman*)
 Mr. Qian Mingxing
 Ms. Fang Xuan

REMUNERATION COMMITTEE

Ms. Fang Xuan (*Chairlady*)
 Mr. Wang Shugao
 Mr. Zeng Xiaosong

NOMINATION COMMITTEE

Mr. Wang Shugao (*Chairman*)
 Mr. Qian Mingxing
 Mr. Zhu Nanjun

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
 17/F, Far East Finance Centre
 16 Harcourt Road
 Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

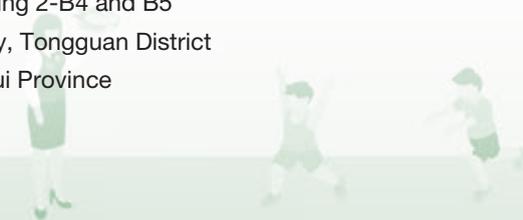
Harneys Fiduciary (Cayman) Limited
 4th Floor, Harbour Place
 103 South Church Street
 P.O. Box 10240
 Grand Cayman KY1-1002
 Cayman Islands

REGISTERED OFFICE

4th Floor, Harbour Place
 103 South Church Street
 P.O. Box 10240
 Grand Cayman KY1-1002
 Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 803, Building 2-B4 and B5
 Big Dipper City, Tongguan District
 Tongling, Anhui Province
 PRC



CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 15-60, Level 15, Lee Garden Two
28 Yun Ping Road, Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
Tongling Shicheng Road Branch
No. 56 Shicheng Road
Tongguan District
Tongling, Anhui Province
PRC

China Merchants Bank Co., Ltd.
Nanjing Branch Operation Department
China Merchants Bank Tower, No. 199 Lushan Road
Jianye District
Nanjing, Jiangsu Province
PRC

Agricultural Bank of China Limited
Tongling Tongdu Branch
No. 2755, 2761 Changjiang West Road
Tongguan District
Tongling, Anhui Province
PRC

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong law:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:

Tian Yuan Law Firm
509, Tower A, International Enterprise Building
35 Financial Street
Xicheng District, Beijing
PRC

As to Cayman Islands law:

Harney Westwood & Riegels
3501, The Center
99 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
8/F, Prince's Building
10 Chater Road, Central
Hong Kong

COMPANY'S WEBSITE

www.xiaocaiyuan.com

STOCK CODE

0999



FINANCIAL SUMMARY

Set out below is a summary of the results, assets and liabilities of the Group for the historical four financial years¹:

RESULTS

	For the year ended December 31,			
	2024	2023	2022	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	5,209,874	4,549,415	3,213,420	2,645,773
Profit before taxation	771,254	744,119	349,775	309,046
Income tax	(190,632)	(212,060)	(112,201)	(81,927)
Profit for the year	580,622	532,059	237,574	227,119
Attributable to:				
Equity shareholders of the Company	580,622	532,059	237,574	227,119
Total comprehensive income for the year	585,417	530,876	237,604	227,116
Basic earnings per share (RMB)	0.56	0.53	N/A	N/A
Diluted earnings per share (RMB)	0.56	0.53	N/A	N/A

ASSETS AND LIABILITIES

	As at December 31,			
	2024	2023	2022	2021
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total assets	3,587,900	2,340,077	1,303,136	1,199,927
Total liabilities	1,222,485	1,716,985	978,246	1,097,421
Net assets	2,365,415	623,092	324,890	102,506

¹ The Company was listed on the Main Board of the Stock Exchange on December 20, 2024.



CHAIRMAN'S STATEMENT

To all Shareholders and partners,

On behalf of the Board of Directors of Xiaocaiyuan International Holding Ltd., I am pleased to present the Company's performance for the year ended December 31, 2024, and extend heartfelt gratitude to the Shareholders, customers, partners and employees for their unwavering support over the years.

Reflecting on the past year, Xiaocaiyuan has made solid progress in both expanding its scale and deepening its market engagement. In the year, we successfully opened 150 new restaurants, bringing our total number to over 673 across 14 provinces nationwide. Importantly, 39% of these new restaurants are located in lower-tier markets (third-tier and below), further confirming our viability and strategic vision in these areas. From a financial perspective, we achieved impressive growth in both operating revenue and profit. Our annual operating revenue reached RMB5,210 million, representing a year-on-year increase of 14.5%. Specifically, the revenue from dine-in business accounted for 61.3%, and the revenue from delivery and new retail businesses constituted 38.7%. This diversified revenue structure has significantly strengthened our ability to withstand risks. Our net profit reached RMB580 million, with a net profit margin maintained at over 11%, bolstered by a steady increase in the contribution from core dining business. This result can be attributed to the prudent cost management by our Board of Directors, as well as the effective management of our team, supply chain optimization, and the realization of economies of scale. Given the global inflation pressure and fluctuations in the local consumer market, the Company has laid a solid foundation for long-term growth through the upgrading of digital management systems and a commitment to exceptional cost-performance.

Looking ahead, Xiaocaiyuan is set to accelerate its expansion in three core areas: globalization, digitalization, and sustainability. Regarding globalization, the board of directors has approved the overseas market expansion strategy for the next three years, with the first phase focusing on Southeast Asia. We plan to open 1-2 overseas restaurants in 2025 and establish partnerships with local quality supply chain partners to explore innovative models for the internationalization of Chinese cuisine. In the realm of technological innovation, we will deepen the application of smart kitchen systems and artificial intelligence (AI) customer data analysis platforms. In 2025, we will increase the research and development budget and investment in information technology infrastructure to enhance operational efficiency and food safety control capabilities.



CHAIRMAN'S STATEMENT

In terms of corporate governance and social responsibility, we have consistently adhered to compliance standards. In 2024, multiple training sessions for directors were conducted, and an Environmental, Social and Governance (ESG) task force was established to strengthen ESG training and promotion within the Company. Professional third-party organizations were engaged to provide training for key personnel. On sustainability, we promote a reduction in carbon emission intensity through the Green Kitchen Program. For social responsibility, we have donated a total of RMB5.13 million (charitable donations). We provide standardized training for employees and enhance the remuneration and benefit system to ensure a safe and healthy working environment for employees. Additionally, we actively participate in social welfare catering services and campaigns against food waste.

Concerning Shareholder returns, the Board of Directors proposes a final dividend of RMB0.3187 per share for the year ended December 31, 2024, with the annual dividend distribution accounting for 64.6% of net profit. The specific plan will be submitted to the general meeting for consideration. We understand that stable performance growth and reasonable shareholder returns are the foundations of sustainable corporate development. Moving forward, we will continue to optimize our capital structure while balancing reinvestment needs and shareholder equity.

Looking ahead, despite the ongoing uncertainties in the global economy, the Board of Directors is confident in the Group's strategy of pursuing steady progress. We will continue to optimize our capital structure, abide by the regulatory requirements of the Stock Exchange, and create long-term value for Shareholders through transparent and efficient management.

Thank you!

Wang Shugao

Chairman

Xiaocaiyuan International Holding Ltd.

Hong Kong, March 26, 2025



MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

China's economic and social landscapes are experiencing complex and significant transformations. Firstly, the per capita disposable income of urban households remains stable growth but at a slower rate, fueling a growing demand for mass Chinese cuisine. Secondly, the mass Chinese cuisine market is further propelled by urbanization in China. Thirdly, substantial changes in the demographic structure also transform the development of the catering industry in China, in particular stimulating the growth of the sub-segment with average spending per consumer below RMB100. As a result, the dynamic and evolving mass Chinese cuisine market accommodates the persistent and increasing demand of the vast consumer base for affordable dining experiences, demonstrating its immense size and growth potential. Given the long-term established leadership of our *Xiaocaiyuan* brand in the mass Chinese cuisine market with average spending per consumer between RMB50 and RMB100, coupled with our expansion into the sub-segment with average spending per consumer below RMB50, we believe that the present market dynamics and future growth prospects present favorable external conditions and opportunities for our continued development.

Business Review

We are one of the renowned self-operated chain restaurants in China's mass Chinese cuisine market. Capitalizing on our deep comprehension of China's evolving catering industry, the anticipated modernization and industrialization in the industry, and the inherent consumer demand, we strategically ventured into the growing mass Chinese cuisine sector. Since our establishment in 2013, we have been striving to offer consumers home-style flavor dishes and attentive services at affordable prices. We aspire to establish our *Xiaocaiyuan* restaurants as the "home kitchen" widely acknowledged by Chinese consumers.

Revenue

We mainly generated revenue from restaurant operations and delivery business. The following table sets out a breakdown of our revenue by business line for the periods indicated:

	For the year ended December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Restaurant operations	3,191,554	61.3	3,051,094	67.1
Delivery business	2,004,766	38.5	1,491,354	32.8
Others	13,554	0.2	6,967	0.1
Total	5,209,874	100.0	4,549,415	100.0

The Group's revenue increased by 14.5% from RMB4,549.4 million in 2023 to RMB5,209.9 million in 2024, primarily reflecting an increase of RMB140.5 million in our restaurant operations and an increase of RMB513.4 million in our delivery business.



MANAGEMENT DISCUSSION AND ANALYSIS

Restaurant Operations

Revenue from our restaurant operations increased by 4.6% from RMB3,051.1 million in 2023 to RMB3,191.6 million in 2024, primarily due to an increase in the number of restaurants in operation, we had 667 *Xiaocaiyuan* restaurants in operation as of December 31, 2024 as compared to 536 *Xiaocaiyuan* restaurants as of December 31, 2023.

Delivery Business

Revenue from our delivery business increased by 34.4% from RMB1,491.4 million in 2023 to RMB2,004.8 million in 2024, primarily due to an increase in the number of our delivery orders of our *Xiaocaiyuan* restaurants from 18.9 million in 2023 to 29.0 million in 2024, attributable to (i) an increase in the number of restaurants which offered delivery service aligned with the expansion of our restaurant network, and (ii) our increased appeal in online food delivery platforms.

Key Performance Indicators

The following table sets forth the distribution of the number and revenue of our *Xiaocaiyuan* restaurants across different tiers of cities in China as of the dates and for the periods indicated:

	For the year ended December 31,					
	2024 ⁽¹⁾			2023		
	<i>Number of restaurants</i>	<i>Total revenue (RMB in thousands)</i>	<i>%</i>	<i>Number of restaurants</i>	<i>Total revenue (RMB in thousands)</i>	<i>%</i>
First-tier cities	106	929,899	18.0	84	756,580	16.8
New first-tier cities	189	1,525,477	29.6	149	1,296,081	28.8
Second-tier cities	81	630,825	12.2	61	532,861	11.8
Third-tier cities and below (including county-level cities and counties)	291	2,071,966	40.2	242	1,922,446	42.6
Total	667	5,158,167	100.0	536	4,507,968	100.0

Note:

- (1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in June 2024 (initially opened in December 2020).



MANAGEMENT DISCUSSION AND ANALYSIS

We use a number of financial and operating indicators to evaluate the performance of our *Xiaocaiyuan* restaurants. The following table sets forth certain key performance indicators of our *Xiaocaiyuan* restaurants during the periods indicated:

	For the year ended	
	December 31,	
	2024 ⁽¹⁾	2023
Average spending per dine-in customer⁽²⁾ (RMB)		
First-tier cities	61.1	66.3
New first-tier cities	59.1	67.2
Second-tier cities	59.9	66.6
Third-tier cities and below (including county-level cities and counties)	58.4	63.4
Total	59.2	65.2
Table turnover rate⁽³⁾		
First-tier cities	3.1	3.4
New first-tier cities	3.0	3.4
Second-tier cities	3.2	3.4
Third-tier cities and below (including county-level cities and counties)	2.8	3.0
Overall	3.0	3.2

Notes:

- (1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in June 2024 (initially opened in December 2020).
- (2) Average spending per dine-in customer is calculated by dividing the revenue generated from restaurant operations by total number of dine-in customers served for the period in the same tier cities.
- (3) Table turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers by the product of total restaurant operation days and average table count of *Xiaocaiyuan* restaurants for the period in the same tier cities.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth certain same store performance indicators for our *Xiaocaiyuan* restaurants during the periods indicated:

	For the year ended	
	December 31,	
	2024 ⁽¹⁾	2023
Number of same stores⁽²⁾		
First-tier cities	57	
New first-tier cities	98	
Second-tier cities	42	
Third-tier cities and below (including county-level cities and counties)	193	
Total	390	
Same store sales⁽³⁾ (RMB in thousands)		
First-tier cities	565,031.4	652,450.1
New first-tier cities	922,827.9	1,098,721.0
Second-tier cities	406,470.8	457,307.3
Third-tier cities and below (including county-level cities and counties)	1,556,875.2	1,718,405.9
Total	3,451,205.3	3,926,884.3
Average same store sales per day⁽⁴⁾ (RMB in thousands)		
First-tier cities	27.2	31.5
New first-tier cities	26.1	30.9
Second-tier cities	26.8	30.1
Third-tier cities and below (including county-level cities and counties)	22.1	24.6
Overall	24.4	27.8
Same store table turnover rate⁽⁵⁾ (times/day)		
First-tier cities	3.0	3.3
New first-tier cities	3.0	3.4
Second-tier cities	3.3	3.6
Third-tier cities and below (including county-level cities and counties)	2.9	3.1
Overall	3.0	3.3



MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) There were transformations of *Xiaocaiyuan* restaurants from *Fuxinglou* restaurants in June 2024 (initially opened in December 2020).
- (2) For purposes of calculating same store performance, between two periods, we define same stores as those *Xiaocaiyuan* restaurants that were open for at least 300 days in both 2023 and 2024.
- (3) Same store sales refer to the aggregate restaurant revenue from our same stores, including revenue generated from restaurant operations and delivery business.
- (4) Average same store sales per day are calculated by dividing the aggregate restaurant revenue of our same stores, including revenue generated from restaurant operations and delivery business, by the total restaurant operation days of our same stores for the period in the same tier cities.
- (5) Same store table turnover rate is calculated by dividing the aggregate number of orders placed by dine-in customers at our same stores by the product of total restaurant operation days and average table count of our same stores for the period in the same tier cities.

Our same store sales decreased by 12.1% from RMB3,926.9 million in 2023 to RMB3,451.2 million in 2024, primarily due to (i) the base effect as a result of the rapid surge in spendings of consumers in China's catering market during the first several months in 2023 following the gradual phasing-out of the COVID-19 pandemic, which was in line with the spending patterns in other consumer sectors according to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., and (ii) our adjustments to the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers.

Other Revenue

Our other revenue decreased by 3.0% from RMB43.8 million in 2023 to RMB42.5 million in 2024, primarily due to the large amount of government grants received in the early stages of recovery from the COVID-19 epidemic in 2023.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 15.9% from RMB1,433.4 million in 2023 to RMB1,661.0 million in 2024, aligned with our revenue growth in the same period. Our raw materials and consumables used as a percentage of our revenue increased from 31.5% in 2023 to 31.9% in 2024, primarily due to the increase in our raw materials and consumables used was larger than the increase in revenue as we proactively adjusted the menu item prices to accommodate the preferences of consumers, demonstrating our long-term commitment to bringing cost-effective experience to our customers.

Staff Costs

Our staff costs increased by 6.6% from RMB1,334.2 million in 2023 to RMB1,421.6 million in 2024, primarily due to an increase in the number of our employees due to the expansion of our restaurant network. Our staff costs as a percentage of our revenue continued to optimize, reaching 29.3% in 2023 and 27.3% in 2024.



MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation of Right-of-use Assets

Our depreciation of right-of-use assets increased by 30.7% from RMB196.3 million in 2023 to RMB256.5 million in 2024, primarily due to an increase in the number of our restaurants in operation. Our depreciation of right-of-use assets as a percentage of our revenue remained relatively stable at 4.3% in 2023 and 4.9% in 2024.

Depreciation and Amortization of Other Assets

Our depreciation and amortization of other assets increased by 31.0% from RMB133.9 million in 2023 to RMB175.5 million in 2024, primarily due to an increase in the number of our restaurants in operation. Our depreciation and amortization of other assets as a percentage of our revenue remained relatively stable at 2.9% in 2023 and 3.4% in 2024.

Other Rentals and Related Expenses

Our other rentals and related expenses increased by 59.0% from RMB58.5 million in 2023 to RMB93.1 million in 2024, primarily due to an increase in lease payments for leases with a term of 12 months or less in relation to the expansion of our restaurant network.

Utility Expenses

Our utility expenses increased by 23.0% from RMB139.6 million in 2023 to RMB171.8 million in 2024, primarily due to an increase in the number of restaurants in operation.

Advertising and Promotion Expenses

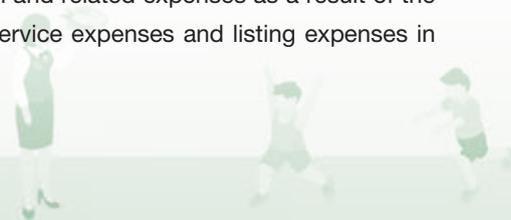
Our advertising and promotion expenses increased by 31.4% from RMB48.3 million in 2023 to RMB63.4 million in 2024, primarily due to an increase in promotional activities on online food delivery platforms in line with the growth of our delivery business.

Delivery Service Expenses

Our delivery service expenses increased by 37.6% from RMB257.9 million in 2023 to RMB354.8 million in 2024, which was in line with the increase in revenue generated from our delivery business. Our delivery service expenses as a percentage of our revenue increased from 5.7% in 2023 to 6.8% in 2024, which was in relation to the increase in the revenue generated by our delivery business as a percentage of our total revenue from 32.8% in 2023 to 38.5% in 2024.

Other Expenses

Our other expenses increased by 29.9% from RMB210.6 million in 2023 to RMB273.5 million in 2024, primarily due to (i) an increase in property management expenses and transportation and related expenses as a result of the expansion of our restaurant network, and (ii) an increase in professional service expenses and listing expenses in relation to our Global Offering.



MANAGEMENT DISCUSSION AND ANALYSIS

Other Net Income/(Losses)

We recorded other net losses of RMB4.9 million in 2023 and recorded other net income of RMB31.1 million in 2024, which was primarily due to a gain in changes in fair value of the convertible bonds and derivative financial instruments in 2024, partially offset by a loss in changes in carrying amount of the redemption liability in 2024, in relation to the financial instruments issued to Harvest Delicacy in 2023 and 2024.

Finance Costs

Our finance costs increased by 30.3% from RMB31.6 million in 2023 to RMB41.1 million in 2024, primarily due to an increase in interest on lease liabilities in line with the increase in the number of our leases as a result of the expansion of our restaurant network, partially offset by a decrease in interest on bank loans from a decrease in our bank loans.

Income Tax

Our income tax decreased by 10.1% from RMB212.1 million in 2023 to RMB190.6 million in 2024, primarily due to a decrease in our China dividend withholding tax. Our effective tax rate, calculated by dividing our income tax by our profit before taxation, decreased from 28.5% in 2023 to 24.7% in 2024, primarily due to an increase in profits from our subsidiaries that enjoyed preferential income tax rates in 2024.

Profit for the Period

As a result of the cumulative effect of the above factors, our profit for the period increased by 9.1%, amounting to RMB532.1 million in 2023 and RMB580.6 million in 2024.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS.

We believe these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.



MANAGEMENT DISCUSSION AND ANALYSIS

Adjusted Net Profit (non-IFRS measure)

We define adjusted net profit (non-IFRS measure) as net profit for the year adjusted by adding (i) equity-settled share-based payment expenses, (ii) changes in fair value of the convertible bonds and derivative financial instruments, (iii) changes in carrying amount of the redemption liability and (iv) listing expenses. We then add back (i) income tax, (ii) net finance costs, and (iii) depreciation and amortization of other assets to derive adjusted EBITDA (non-IFRS measure).

The following table sets out a reconciliation from net profit to adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the years indicated:

	For the year ended	
	December 31,	
	2024	2023
	(RMB'000)	(RMB'000)
Reconciliation of net profit to adjusted net profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure)		
Net profit	580,622	532,059
Add:		
Changes in fair value of the convertible bonds and derivative financial instruments	(112,233)	3,733
Changes in carrying amount of the redemption liability	80,889	1,699
Listing expenses	36,911	8,493
Adjusted net profit (non-IFRS measure)	586,189	545,984
Add:		
Income tax	190,632	212,060
Net finance costs	16,499	22,532
Depreciation and amortization of other assets	175,536	133,947
Adjusted EBITDA (non-IFRS measure)	968,856	914,523

Right-of-use Assets

Our right-of-use assets consisted of the leases for our restaurants. Our right-of-use assets increased by 13.6% from RMB694.1 million as of December 31, 2023 to RMB788.6 million as of December 31, 2024, mainly attributed to an increase in the number of restaurants and land acquisition of our new central kitchen in Ma'anshan in January 2024.

Inventories

Our inventories primarily consisted of food ingredients, condiment products, beverage and others. Our inventories increased from RMB104.9 million as of December 31, 2023 to RMB109.6 million as of December 31, 2024, primarily due to the expansion of our restaurant network.

Our inventory turnover days (being the average of opening balance and closing balance of inventory for the year divided by raw materials and consumables used for the relevant year and multiplied by 365 days) decreased from 24.1 days in 2023 to 23.6 days in 2024, primarily due to our enhanced inventory management capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Receivables

The majority of our trade and other receivables were primarily in connection with (i) bills settled through third-party payment platforms such as Alipay or WeChat Pay, and (ii) bills for our delivery business settled through online food delivery platforms. Our trade and other receivables increased from RMB270.1 million as of December 31, 2023 to RMB301.9 million as of December 31, 2024, primarily due to the expansion of our restaurant network and growth in delivery business.

Our trade receivables turnover days (being the average of opening balance and closing balance of trade receivables for the year divided by revenue and multiplied by 365 days) remained relatively stable at 2.4 days in 2023 and 2.3 days in 2024, respectively.

Trade and Other Payables

The majority of our trade and other payables were in connection with payables to our suppliers for raw materials and consumables and payables of utility expenses.

Our trade and other payables decreased from RMB280.5 million as of December 31, 2023 to RMB228.5 million as of December 31, 2024, primarily because we accelerated the settlement process with our suppliers.

Our trade payables turnover days (being the average of opening balance and closing balance of trade payables for the year divided by raw materials and consumables used for the relevant year and multiplied by 365 days) decreased from 18.7 days in 2023 to 15.2 days in 2024, primarily due to an increase in the procurement of food ingredients through centralized procurement as a percentage of our total procurement during the Reporting Period, which facilitated our settlement process.

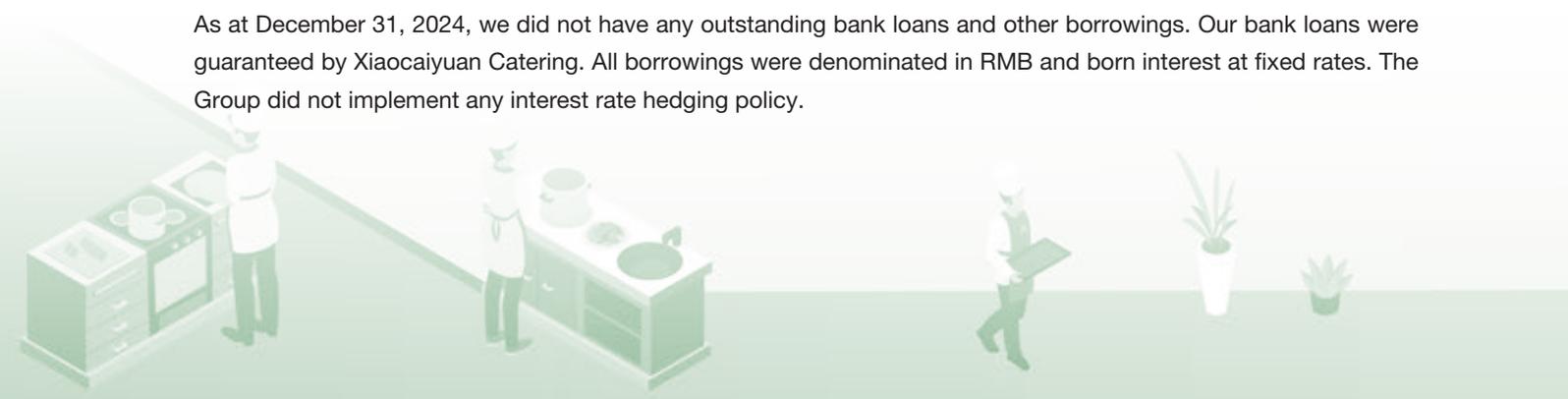
Liquidity and Capital Resources

For the year ended December 31, 2024, we had funded our cash requirements principally from equity and debt financing and cash generated from operations. We had cash and cash equivalents of RMB616.7 million for the year ended December 31, 2024 as compared to RMB620.2 million for the year ended December 31, 2023. We had net cash generated from operating activities of RMB902.9 million for the year ended December 31, 2024 as compared to RMB866.3 million for the year ended December 31, 2023.

We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs while supporting continuing business expansion.

Bank Loans and Other Borrowings

As at December 31, 2024, we did not have any outstanding bank loans and other borrowings. Our bank loans were guaranteed by Xiaocaiyuan Catering. All borrowings were denominated in RMB and born interest at fixed rates. The Group did not implement any interest rate hedging policy.



MANAGEMENT DISCUSSION AND ANALYSIS

Pledged Assets

As at December 31, 2024, the Group did not pledge any of its assets.

Contingent Liabilities

As at December 31, 2024, the Group did not have any contingent liabilities.

Gearing Ratio

Our gearing ratio (calculated as bank loans and other borrowings divided by total equity and multiplied by 100%) was nil as at December 31, 2024 as compared to 8.0% as at December 31, 2023, primarily due to a decrease in bank loans and other borrowings to nil.

Foreign Exchange Risk and Hedging

The Group operates primarily in Mainland China with most of the transactions denominated and settled in RMB. The Group is exposed to currency risk which is primarily attributable to financial liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The Group does not hedge foreign exchange risk, but will closely monitor the situation and take measures when necessary, to ensure that foreign exchange risk is within control.

Employee and Remuneration Policy

As at December 31, 2024, the Group had a total of 12,034 full-time employees (December 31, 2023: 12,295), most of whom were located in Tongling, Anhui Province, China. For the year ended December 31, 2024, the Group's total staff costs (including salaries, wages, allowances and benefits) amounted to RMB1,421.6 million.

We recruit our employees from the open market, as well as through internal referrals. The restaurant manager and our human resources department are responsible for recruiting restaurant frontline staff of that particular restaurant. Our recruitment process usually includes interviews and an evaluation of a candidate's qualifications and experiences. We are committed to providing fair and equal opportunities in all of our employment practices and have adopted policies and procedures to ensure a fair hiring, selection and promotion process. As required by regulations of the PRC, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. For example, for regional managers, their compensation package includes base salary depending on the number of restaurants they manage and a discretionary bonus depending on the performance of such restaurants. In terms of our key restaurant employees, their compensation packages include base salary and a certain percentage of the profits from their respective restaurants as a discretionary bonus. In particular, for the key restaurant employees who are engaged to run new restaurants, they are entitled to the discretionary bonus from both the new restaurants and their original restaurants for a certain period. In terms of restaurant frontline staff, their compensation package includes base salary, overtime pay and incentive bonus based on individual performance. We have developed and implemented a compensation mechanism that considers every task in the restaurant for bonus review, such as the number of signature dishes sold and positive customer reviews received.

MANAGEMENT DISCUSSION AND ANALYSIS

We hold monthly training programs for newly promoted restaurant managers and head chefs and other outstanding employees, where they share their working experiences and our management reiterates our values, motivating our employees to embrace our values, improve operational skills and develop management competencies for their career advancement.

Material Investments, Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the period from December 20, 2024 (the “Listing Date”) up to December 31, 2024, the Company did not have any material investments, acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Asset Investments

As at December 31, 2024, save as disclosed in this annual report and the prospectus of the Company (the “Prospectus”), the Group did not have any material investments and capital asset plans.

Future Outlook

Looking ahead, we will continue to consolidate our leading position in China’s rapidly growing mass Chinese cuisine sector. We remain committed to our cultural philosophy of “Gratitude, Responsibility, Growth and Win-Win”, providing our customers with an exceptional dining experience and offering green, healthy and nutritious dishes at affordable prices. Leveraging our modern management system and market acumen, we will continue to harness the growth potential in the market, establishing a substantial competitive advantage and a formidable business stronghold against our rivals in the industry. In our future development plan, we will continue to enhance the dining experience of the operational restaurants, by optimizing service capabilities and introducing more value-added services to create greater value for our customers. We will continue to enhance our business intelligence system based on data insight, continue to strengthen and upgrade our supply chain management system, strategically expand our restaurant network, achieving a broader coverage and deeper market penetration, and continue our expansion and exploration in the Chinese cuisine community catering market, striving to build ourselves into a world-class chain restaurant group with a modern scientific management system.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Shugao (汪書高), aged 52, the founder of the Group, was appointed as the chairman of the Board, an executive Director and the general manager of the Company in October 2021. Mr. Wang has been serving as the chairman of the board of directors of Xiaocaiyuan Catering since June 2013.

Mr. Wang has over 20 years of experience in catering industry. Prior to founding the Group, Mr. Wang successively founded Tongling Wang Wang Food Court (銅陵市旺旺美食林), Tongling Suburb Hexie Hotel (銅陵市郊區和諧大酒店) and Tongling Hexie Catering Co., Ltd. (銅陵市和諧餐飲有限責任公司) in March 2006, May 2007 and December 2010, respectively. Mr. Wang has received multiple prestigious awards and recognitions, named as a vice president by Anhui Enterprise Operation and Management Research Association (安徽省企業經營與管理研究會) in November 2019, awarded as “National Outstanding Entrepreneur in Business” (全國商業優秀企業家) by China Commercial Enterprise Management Association (中國商業企業管理協會) in December 2020, and appointed as a vice president by Anhui Cooking Association (安徽省烹飪協會) in May 2021.

Mr. Wang graduated from Cheung Kong Graduate School of Business (長江商學院) majoring in business administration in Shanghai, the PRC in October 2024.

Mr. Wang is the uncle of Ms. Wang Weifang, an executive Director.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Daoqing (李道慶), aged 47, was appointed as an executive Director in February 2023. Mr. Li has been serving as a director and a vice general manager of Xiaocaiyuan Catering since June 2013.

Prior to joining the Group, Mr. Li provided legal service at 148 Legal Service Center, Huashan District, Ma'anshan City (馬鞍山市花山區148法律服務所) from June 2001 to March 2007, and served as a general manager in Chongqing Yuxi Steel (Group) Co., Ltd. (重慶市渝西鋼鐵(集團)有限公司) from March 2007 to January 2009 and the director of business department in Chongqing Duma Metal Materials Co., Ltd. (重慶市度瑪金屬材料有限公司) from January 2009 to July 2012. He has been serving as a deputy to the People's Congress of Gulou District, Nanjing, Jiangsu (江蘇省南京市鼓樓區人民代表大會) since December 2021 and a member of Supply Chain Committee of Anhui Catering Industry Association (安徽省餐飲行業協會供應鏈專業委員會) since September 2023.

Mr. Li graduated from Anhui University (安徽大學) in Anhui, the PRC with a junior college diploma in economic law in December 2001 and with a bachelor diploma in law in December 2004 respectively.

Mr. Tian Chunyong (田春永), aged 50, was appointed as an executive Director in February 2023. Mr. Tian has been serving as a director and a vice general manager of Xiaocaiyuan Catering since October 2014.

Prior to joining the Group, Mr. Tian served as a general manager in Nanjing Qin Dynasty Waguan Catering Co., Ltd. (南京秦朝瓦罐餐飲有限公司) from October 2006 to December 2007, Nanjing Yuqin Shangpin Catering Management Co., Ltd. (南京御秦上品餐飲管理有限公司) from January 2008 to January 2011 and Nanjing Lafei Catering Management Co., Ltd. (南京辣啡餐飲管理有限公司) from January 2011 to December 2013, respectively.

Mr. Tian is currently pursuing his junior college's degree through long distance learning in The Open University of China (國家開放大學) in Beijing, the PRC.

Mr. Zhou Bin (周斌), aged 46, was appointed as an executive Director in February 2023. Mr. Zhou has been serving as a director and a regional general manager of Xiaocaiyuan Catering since June 2013.

Mr. Zhou has more than 15 years of experience in catering industry. Prior to joining the Group, Mr. Zhou served as an executive chef in Tongling Hexie Catering Co., Ltd. (銅陵市和諧餐飲有限責任公司) from December 2010 to March 2013.

Mr. Zhou graduated from Zongyang County Laozhou Middle School (縱陽縣老洲中學) in Tongling, Anhui, the PRC in May 1996. He is currently pursuing his junior college's degree through long distance learning in The Open University of China (國家開放大學) in Beijing, the PRC.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Weifang (汪維芳), aged 34, was appointed as an executive Director in February 2023. She has been serving as a director and a regional general manager of the Xiaocaiyuan Catering since June 2013.

Ms. Wang has over 10 years of experience in catering industry. Prior to joining the Group, Ms. Wang worked in Tongling Suburb Hexie Hotel (銅陵市郊區和諧大酒店) from March 2008 to December 2010 with her last position as a manager. She also served as a manager of Tongling Hexie Catering Co., Ltd. (銅陵市和諧餐飲有限責任公司) from December 2010 to March 2013.

Ms. Wang graduated from Tongling Suburb Hongyang Junior Middle School (銅陵市郊區紅陽初級中學) in Tongling, Anhui, the PRC in July 2004.

Ms. Wang is the niece of Mr. Wang Shugao, the chairman of the Board and an executive Director.

Mr. Tao Xu'an (陶旭安), aged 36, was appointed as an executive Director in February 2023. Mr. Tao has been serving as a director and regional manager of Xiaocaiyuan Catering since June 2013.

Mr. Tao has over 10 years of experience in catering industry. Prior to joining the Group, Mr. Tao served as a chef in Tongling Wang Wang Food Court (銅陵市旺旺美食林) from March 2006 to May 2007. He also served as an executive chef in Tongling Hexie Catering Co., Ltd. (銅陵市和諧餐飲有限責任公司) from December 2010 to March 2013.

Mr. Tao graduated from Tongling County Phoenix Agricultural High School (銅陵縣鳳凰農業中學), currently known as Yi'an District Phoenix School (義安區鳳凰學校) in Tongling, Anhui, the PRC in June 2002. He is currently pursuing his junior college's degree through long distance learning in The Open University of China (國家開放大學) in Beijing, the PRC.

Non-executive Director

Ms. Zhu Xuejing (朱雪菁), aged 35, was appointed as a non-executive Director in March 2025.

Ms. Zhu has 12 years of experience in business operation and risk control and compliance in capital market and private equity investment institutions. She previously worked in Beijing Dacheng Law Offices, LLP in 2013, mainly engaging in foreign-invested banking business and foreign direct investment; she previously worked in Beijing Zhong Lun Law Firm in 2014, mainly engaging in merger and acquisitions of companies, private fund investments, issuance and listing of securities; she has been in Harvest Capital Co., Ltd. since 2018 and is responsible for the Risk Control and Compliance Department, she participates in daily operation, fundraising, investment, management and withdrawal and risk management, post-investment management, and is currently the head of the Risk Control and Compliance Department of Harvest Capital Co., Ltd.

Ms. Zhu graduated from the College of William and Mary in the United States with a master's degree in law in May 2013. Ms. Zhu obtained the PRC Legal Professional Qualification Certificate issued by the Ministry of Justice of the People's Republic of China in September 2012.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Qian Mingxing (錢明星), aged 61, was appointed as an independent non-executive Director in December 2024.

Mr. Qian has extensive experience in legal practice. Mr. Qian was a professor at Peking University Law School (北京大學法學院) from August 1999 to April 2023. He worked as a teaching assistant and a lecturer of the law department at Peking University from August 1986 to August 1988 and August 1988 to August 1993, respectively. From August 1993 to August 1999, Mr. Qian was an associate professor at Peking University Law School. Mr. Qian has been serving as an independent non-executive Director in Yihai International Holding Ltd. (頤海國際控股有限公司), a company listed on the Stock Exchange (stock code: 1579.HK), since June 2016. Mr. Qian also currently serves as an arbitrator in China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) (CIETAC), South China International Economic and Trade Arbitration Commission (華南國際經濟貿易仲裁委員會), and Beijing Arbitration Commission (北京仲裁委員會) (BAC), respectively.

Mr. Qian obtained a bachelor's degree in law and a master's degree in law from Peking University (北京大學) in July 1983 and July 1986, respectively. In June 2001, Mr. Qian obtained a doctoral degree of laws from Peking University.

Mr. Zhu Nanjun (朱南軍), aged 52, was appointed as an independent non-executive Director in December 2024.

Mr. Zhu, professor and doctoral supervisor at the School of Economics of Peking University (北京大學經濟學院), started his career as a postdoctoral researcher at the School of Economics of Peking University (北京大學經濟學院), and then worked as a lecturer and an associate professor successively since 2002. Mr. Zhu has extensive experience in finance and accounting. He served as an independent director at Lushang Freda Pharmaceutical Co., Ltd. (魯商福瑞達醫藥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600223.SH), from June 2015 to July 2021. Since June 2020, he has been serving as an independent director and chairman of the audit committee of the board of directors at China Aerospace Times Electronics Co., Ltd. (航天時代電子技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600879.SH).

Mr. Zhu obtained his bachelor's degree in economics in July 1994 from Wuhan University (武漢大學) in Hubei, the PRC, his master's degree and doctoral degree in management (accounting) respectively in July 1999 and June 2002 from Renmin University of China (中國人民大學) in Beijing, the PRC.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zeng Xiaosong (曾曉松), aged 50, was appointed as an independent non-executive Director in December 2024.

Mr. Zeng has extensive experience in corporate finance and investment management. Mr. Zeng worked at Bank of China's New York Branch (中國銀行紐約分行) from February 1999 to July 2005 with his last position as a vice president of the corporate banking department. He joined J.P. Morgan (摩根大通投資銀行) in July 2005 as an equity analyst of the equity research department before moving to the investment banking department which focuses on the share listing and mergers and acquisitions of financial institutions, including Chinese banks, securities houses, insurers, and fund managers. From August 2008 to September 2022, Mr. Zeng worked at Greenwoods Asset Management Hong Kong Limited (景林資產管理香港公司), a private fund manager focusing on the management of Greater China investments with his last position as the general manager and partner. Mr. Zeng started and served as the chairman of Arcadia Fund Management Group Asia Limited (奧愷基金管理集團亞洲有限公司) in December 2022 to be focused on investments into listed and to-be-listed Asian companies. He is also a director of its parent company, Arcadia Fund Management Group Limited (奧愷基金管理集團有限公司), and its affiliated company, Arcadia Fund Management GP Limited (奧愷基金管理普通合夥人有限公司). Mr. Zeng has served as an independent non-executive director and the chairperson of the remuneration committee in Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)股份有限公司), a company listed on the Stock Exchange (stock code: 2517.HK), since October 2023.

Mr. Zeng has been a holder of the Chartered Financial Analyst (CFA) designation (特許金融分析師) since 2003. He is also a member of the board and a Vice Chairman of the Greater China Committee of the Hong Kong Venture Capital and Private Equity Association (HKVCA) (香港創業及私募投資協會).

Mr. Zeng graduated from Wuhan University (武漢大學) in the PRC with a major in International Finance in July 1995, and then attended the International Finance program at the Graduate School of the People's Bank of China (中國人民銀行研究生部) (currently the PBC School of Finance, Tsinghua University) from 1995 to 1997. Mr. Zeng graduated with a Master of Science degree in Accounting & Finance from the London School of Economics (LSE) in the United Kingdom in August 1998, where he received the Robert Fleming scholarship.

Ms. Fang Xuan (方璇), aged 53, was appointed as an independent non-executive Director in December 2024.

Ms. Fang has extensive experience in finance and treasury industry. She worked at Beijing Enterprises Holdings Ltd (北京控股有限公司), a company listed on the Stock Exchange (stock code: 0392.HK), from June 2000 to July 2019, with her last position as a financial accounting manager of Hong Kong capital finance department. She has been serving as a financial director at CR Construction Group Holdings Ltd (華營建築集團控股有限公司), a company listed on the Stock Exchange (stock code: 1582.HK) from August 2019 to May 2022, and has been serving as the chief financial officer since June 2022. Ms. Fang served as a finance director at Mingxi Charity Foundation (明曦公益基金會) from August 2016 to July 2019. Ms. Fang has been serving as a member of the consultative committee of the Liaison Office of the Association of Certified Public Accountants of China in Hong Kong (中國註冊會計師協會駐香港聯絡處) and a member of the Shaanxi Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議陝西省委員會) since June 2022 and January 2023, respectively. She currently also serves at The Hong Kong Chinese Enterprises Association Financial & Accounting Affairs Steering Committee (香港中國企業協會財會專業委員會) as the Executive Vice Secretary General. Ms. Fang has been appointed as an independent non-executive director of China Development Bank International Investment Limited (國開國際投資有限公司), a company listed on the Stock Exchange (stock code: 1062.HK) since March 2024.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Fang has been a member of the Association of International Accountant (國際會計師公會) since June 2015 and a fellow member of the Association of International Accountant since September 2020. She has also been a member of the China Association of Chief Financial Officers (中國總會計師協會) (CACFO) since December 2016 and a member of the Hong Kong Professionals and Senior Executives Association (香港專業及資深行政人員協會) since January 2021.

Ms. Fang obtained her bachelor's degree in accounting in October 2006 from University of Bolton (博爾頓大學) in England. She also completed a senior program on public administration in Tsinghua University (清華大學) in Beijing, the PRC, in August 2022 and obtained an EMBA degree from the City University of Hong Kong in October 2021.

Senior Management

Mr. Wang Shugao is the chairman of the Board, an executive Director and the general manager of the Company. For the biographical details of Mr. Wang, see "Directors – Executive Directors" above.

Mr. Li Daoqing is an executive Director and a vice general manager of the Company. For the biographical details of Mr. Li, see "Directors – Executive Directors" above.

Mr. Tian Chunyong is an executive Director and a vice general manager of the Company. For the biographical details of Mr. Tian, see "Directors – Executive Directors" above.

Ms. Zhu Zhenghui (朱正慧), aged 48, joined the Group in September 2019 and was appointed as the chief financial officer of the Company in October 2021. She has been serving as the chief financial officer of Xiaocaiyuan Catering since September 2019.

Prior to joining the Group, Ms. Zhu worked as an accountant in Tongling Suburb Finance Bureau Chenyaohu Branch (銅陵市郊區財政局陳瑤湖分局) from January 1998 to May 2017. She also worked in Tongling Rushi Accounting Firm (銅陵如是會計師事務所) from May 2018 to August 2019.

Ms. Zhu obtained her bachelor's degree in international economics and trade from School of Adult Education of Tongling College (銅陵學院成人教育學院) through correspondence education in Anhui, the PRC, in January 2007. She was admitted as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2003 and a Certified Tax Agent jointly by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) in August 2007.

Ms. She Mingzhu (佘明珠), aged 40, joined the Group in July 2015 and was appointed as the Board secretary and the head of general manager's office since October 2021, and was appointed as the joint company secretary of the Company in December 2024. She served as an officer from July 2015 to December 2016, and an office director and an assistant to the chairman of Xiaocaiyuan Catering from January 2017 to November 2020.

Prior to joining the Group, Ms. She served in Foshan Linghang Human Resources Service Co., Ltd. (佛山市領航人力資源服務有限公司) from May 2009 to April 2015 with her last position as the head of Changzhou Branch.



BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. She received a junior college diploma in human resources from Guilin University of Electronic Technology (桂林電子科技大學) in Guangxi, the PRC, in June 2018. She was named as a member of the Second Tongling Tongguan District Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第二屆銅陵市銅官區委員會委員) in January 2022 and "Corporate Chief Quality Officer" (企業首席質量官) by Tongling Quality Association (銅陵市質量協會) in June 2022.

Joint Company Secretaries

Ms. She Mingzhu (佘明珠) is the Board secretary and a joint company secretary of the Company. For the biographical details of Ms. She, see "Senior Management" above.

Ms. Au Wing Han (區泳嫻) is the joint company secretary of the Company. Ms. Au is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司) and has over nine years of experience in corporate secretarial field and is responsible for providing corporate service to listed and private companies. Ms. Au is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Au holds a degree of Bachelor of Business Administration (Hons).

Change in Information about the Directors and Senior Management

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



CORPORATE GOVERNANCE REPORT

The Board hereby presents the corporate governance report for the period from the Listing Date to December 31, 2024.

CORPORATE CULTURE

- Our Slogan: Xiaocaiyuan, Mother's Taste!
- Our Vision: Helping more employees to achieve their career goals!
- Our Goal: Where there are Chinese, there is Xiaocaiyuan!

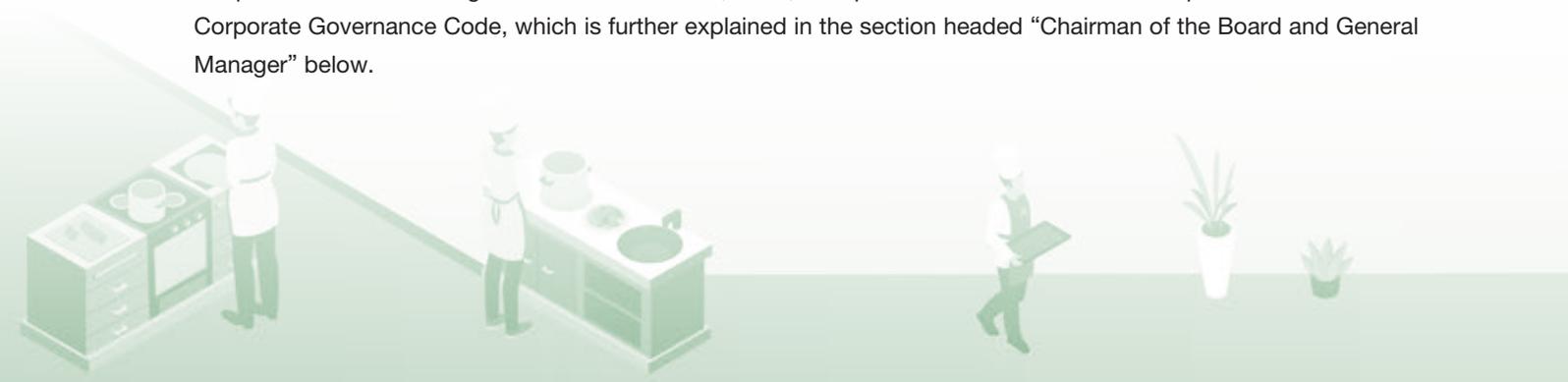
The Company is committed to cultivating a corporate culture based on the value of “everything we do is to solve the customer’s confusion, so that customers save efforts, time and money; everything we do is for the employees, for their growth and realization of dreams; everything we do is to pay more taxes to the government, to provide more jobs” that enables employees at all levels of the Group can achieve growth and realize their full potential by acting law-abidingly, ethically and responsibly, thus allowing the Company to deliver sustainable long-term performance and to operate in a way that is beneficial to society and the environment.

The Company’s vision, goal and values provide guidelines for employees’ conduct and behavior, ensuring that they are integrated into the Company’s operating practices, workplace policies and rules, and stakeholder relationships. The management is responsible for setting the tone and creating the corporate culture of the Company, defining the mission, values and strategic direction of the Group, which are reviewed by the Board. The Group’s culture, mission, values and strategies remain consistent given that the corporate culture is reflected in various environments such as workforce participation, employee retention and training, legal and regulatory compliance, employee safety, welfare and support.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. The principle of the Company’s corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders. Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group to achieve effective accountability. The Company’s corporate governance practices are based on the principles and code provisions prescribed in the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

The Company has complied with all applicable code provisions set out in the Corporate Governance Code for the period from the Listing Date to December 31, 2024, except for the deviation from code provision C.2.1 of the Corporate Governance Code, which is further explained in the section headed “Chairman of the Board and General Manager” below.



CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition of the Board

During the Reporting Period and as of the Latest Practicable Date, the members of the Board are set out below:

Executive Directors

Mr. Wang Shugao (*Chairman of the Board and general manager*)

Mr. Li Daoqing

Mr. Tian Chunyong

Mr. Zhou Bin

Ms. Wang Weifang

Mr. Tao Xu'an

Non-executive Directors

Ms. Zhu Xuejing (*appointed on March 7, 2025*)

Mr. Law Wing Cheung Ryan (*resigned on March 7, 2025*)

Independent Non-executive Directors

Mr. Qian Mingxing

Mr. Zhu Nanjun

Mr. Zeng Xiaosong

Ms. Fang Xuan

Biographical details of the Directors are set out in the section headed “Biographies of Directors and Senior Management” in this annual report.

Each of Mr. Qian Mingxing, Mr. Zhu Nanjun, Mr. Zeng Xiaosong and Ms. Fang Xuan (each of whom was appointed as a Director on December 11, 2024) confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on April 30, 2024, and (ii) understands his or her obligations as a Director under the Listing Rules.

Save as disclosed in the section headed “Biographies of Directors and Senior Management” in this annual report, there are no relationships (including financial, business, family, or other material/related relationships) between the members of the Board.



CORPORATE GOVERNANCE REPORT

As of the Latest Practicable Date, the Company has been in compliance with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of the independent non-executive directors possessing appropriate professional qualifications of accounting or related financial management expertise.

The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive directors representing at least one-third of the Board.

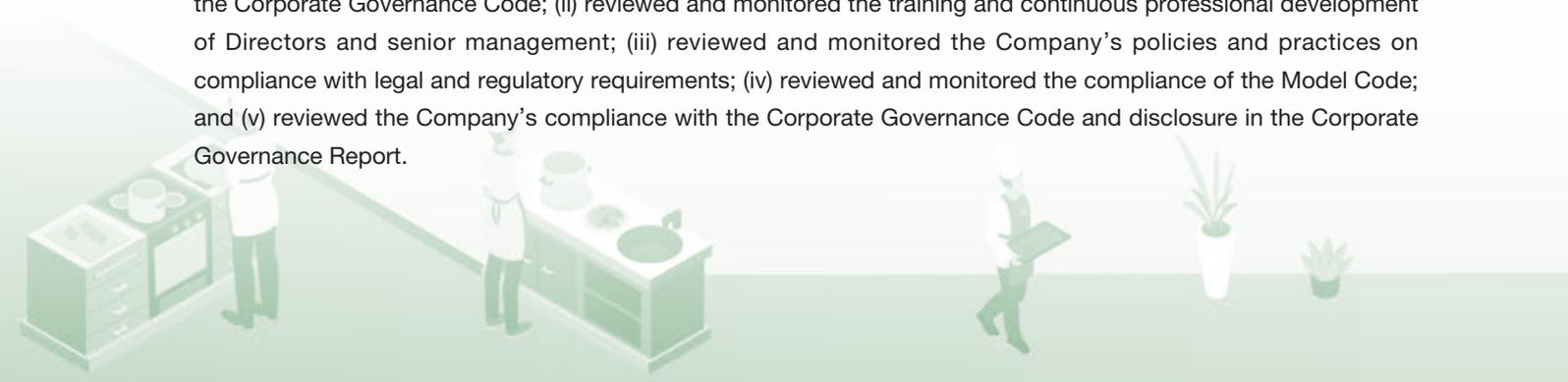
RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is responsible for, and has the general authority of, the management and operation of the Company, and is responsible for all major decisions of the Company, including the approval and monitoring of all major policies and overall strategies, internal control and risk management systems, notifiable transactions and connected transactions, nomination of the Director(s) and joint company secretary(ies), and other significant financial and operational matters of the Group. The Board has also delegated the senior management to be responsible for the day-to-day management of the Company's business.

The Board, directly and indirectly through its committees, discharges the corporate governance functions of the Company, including (but not limited to):

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company;
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure made in the Company's corporate governance report; and
- (f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

During the Reporting Period, the Board has performed such corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices in response to the implementation of the Corporate Governance Code; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the compliance of the Model Code; and (v) reviewed the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.



CORPORATE GOVERNANCE REPORT

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Pursuant to Code Provision C.2.1 of the Corporate Governance Code, the roles of chairman and general manager should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and general manager should be clearly established and set out in writing. The Company does not separate the roles of chairman and general manager, and Mr. Wang Shugao currently holds both positions concurrently. In view of Mr. Wang's substantial contribution to the Group since the establishment and his extensive experience, the Company considers that having Mr. Wang acting as both the chairman of the Board and general manager will provide strong and consistent leadership to the Group and facilitate the efficient execution of the Company's business strategies. The Board believes that this arrangement will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by the Board requires approval by at least a majority of our Directors, and the Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. Wang and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether the separation of the roles of chairman of the Board and general manager is necessary.

MECHANISM FOR DIRECTORS TO OBTAIN INDEPENDENT VIEWS AND OPINIONS

Directors are free to express their views at the Board meetings, and material decisions shall be made only after thoughtful discussion. Directors may engage an independent professional institution at the Company's expense in accordance with the procedures, if they consider it necessary to seek advice from an independent professional institution. If a Director has a material interest in a matter proposed to the Board, such Director shall abstain from the discussion and voting on relevant proposals, and such Director shall not be counted towards the quorum of that proposal. In addition, independent non-executive Directors should express objective and impartial independent opinions on the matters discussed by the Company. Apart from being the Directors of the Company, the independent non-executive Directors do not hold any other positions in the Company, do not have any relationship with the Company and the substantial Shareholders of the Company that may affect them from making independent and objective judgments, and do not have any business or financial interests in the Company and its subsidiaries. Thus, during the Reporting Period, the participation of the independent non-executive Directors can effectively ensure that there is a strong and sufficient independent element in the Board.

During the period from the Listing Date to December 31, 2024, the Board has complied with the aforesaid relevant regulations, and the aforesaid mechanisms are effective to provide independent views and opinions to the Board. The Board will review the implementation and effectiveness of the aforesaid mechanisms annually.



CORPORATE GOVERNANCE REPORT

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation from each of its independent non-executive Directors regarding his or her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent individuals.

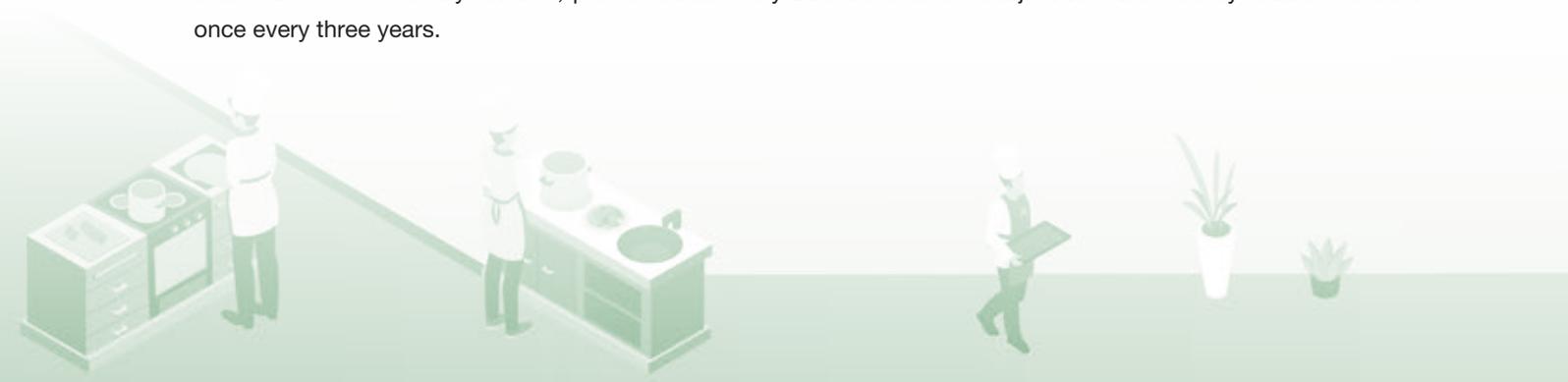
DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors of the Company has entered into a service contract with the Company pursuant to which they agreed to act as executive Directors for a term of three years with effect from the date of his/her appointment as a Director or since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Mr. Law Wing Cheung Ryan, the former non-executive Director of the Company, has entered into an appointment letter with the Company pursuant to which he agreed to act as a non-executive Director for a term for his appointment letter shall commence from the date of his appointment as a Director or since the Listing Date (whichever ends earlier) and shall continue for three years (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Ms. Zhu Xuejing, a non-executive Director of the Company, has entered into an appointment letter with the Company on March 7, 2025, pursuant to which she agreed to act as a non-executive Director for an initial term for her appointment letter shall commence from the date of her appointment as a Director on March 7, 2025 and shall continue for one year (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Each of the independent non-executive Directors of the Company has entered into an appointment letter with the Company on December 10, 2024. The initial term for their appointment letters shall be three years from December 11, 2024 (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

During the Reporting Period, none of the Directors entered into any service contracts with the Company or its subsidiaries which could not be terminated without payment of compensation (other than statutory compensation) within one year.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to Article 15.1 of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if such number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years.



CORPORATE GOVERNANCE REPORT

Pursuant to Article 15.5 of the Articles of Association, the Board may at any time appoint any person to be a Director either to fill a casual vacancy or as an additional Director, subject to any maximum number fixed by the members in the general meeting or the Articles. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at such meeting.

Ms. Zhu Xuejing, Mr. Wang Shugao, Mr. Li Daoqing, Mr. Tian Chunyong and Mr. Zhou Bin shall retire by rotation at the annual general meeting in accordance with the Articles of Association, and shall be eligible and offer themselves for re-election. Details of such re-election are set out in the circular of the annual general meeting to be issued by the Company in due time.

DIRECTOR TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contributions to the Board remain informed and relevant. The Company pays attention to the continuous professional development of its Directors by arranging adequate training programs and encouraging the Directors to participate in such training to ensure that they have a proper understanding of the Company's business and operations as well as a full understanding of the duties and responsibilities of Directors under the Listing Rules and relevant laws.

During the Reporting Period, the Company organized training courses for all Directors conducted by qualified professionals/legal advisors on topics covering the duties and responsibilities of Directors. In addition, the Company has provided all Directors with relevant reading materials, including the duties and responsibilities of Directors for their reference and study.

SECURITIES TRADING AND HANDLING OF INSIDE INFORMATION

The Board has adopted the Model Code as the code of conduct governing Directors' trading in the securities of the Company. As the Company's shares were listed on the Stock Exchange on December 20, 2024, the Model Code became applicable to the Company from the Listing Date. Upon specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code during the period from the Listing Date to December 31, 2024.

The Company has also formulated and implemented policies and procedures in relation to information disclosure, including but not limited to disclosure of inside information, including monitoring of potential inside information, to ensure that relevant facts and circumstances that could have a material impact on the Company's share price are promptly identified and assessed, and where necessary, bring to the attention of the Board to determine whether a disclosure is necessary. Directors, senior management and relevant employees in possession of inside information or potential inside information are required to take reasonable steps to maintain confidentiality and to ensure that their recipients are aware of their obligations of confidentiality.



CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND GENERAL MEETINGS

The Company was listed on the Stock Exchange on December 20, 2024. During the period from the Listing Date to December 31, 2024, the Company did not convene Board meetings and general meetings. The Board will disclose relevant meetings in the next annual report according to the requirements as set out in the Corporate Governance Code.

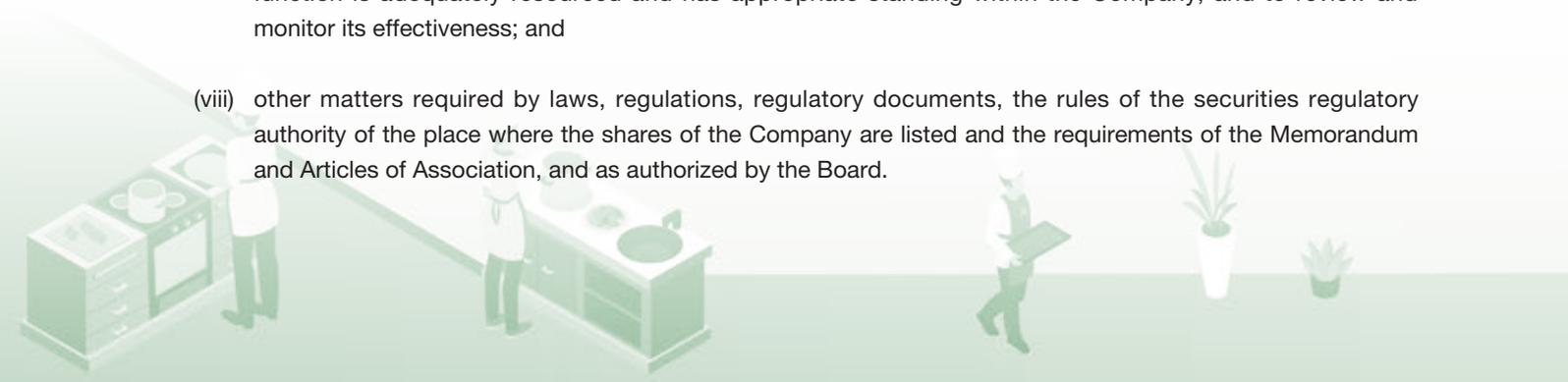
BOARD COMMITTEES

The Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference which are available at the website of the Stock Exchange and the Company. The Board committees are provided with sufficient resources to discharge their duties.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhu Nanjun, Mr. Qian Mingxing and Ms. Fang Xuan. Mr. Zhu Nanjun serves as the chairman of the Audit Committee. The main responsibilities of the Audit Committee include, but are not limited to, the following:

- (i) to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to approve the remuneration and terms of appointment of the external auditor, and to deal with any issue of his/her resignation or dismissal;
- (ii) to review and monitor the independence and objectivity of the external auditor and the effectiveness of the audit process under the applicable standards. The Audit Committee shall discuss with the auditor the nature and scope of the audit and the reporting responsibility prior to the commencement of the audit;
- (iii) to formulate and enforce policies on the engagement of external auditors to provide non-audit services;
- (iv) to monitor the integrity of the Company's financial statements, annual reports and accounts, semi-annual reports and, if intended to publish, quarterly reports, and to review significant financial reporting judgments contained therein;
- (v) to review the Company's financial controls, risk management and internal control systems;
- (vi) to discuss risk management and internal control systems with management to ensure that management has performed its duty to establish effective systems;
- (vii) to ensure coordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and
- (viii) other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Memorandum and Articles of Association, and as authorized by the Board.



CORPORATE GOVERNANCE REPORT

The Company was listed on the Stock Exchange on December 20, 2024. During the period from the Listing Date to December 31, 2024, no Audit Committee meetings were held. The Board will disclose relevant meetings in the next annual report according to the requirements as set out in the Corporate Governance Code.

The Audit Committee has reviewed the Company's annual results and annual report for the year ended December 31, 2024, as well as the audited consolidated financial statements for the year ended December 31, 2024, prepared in accordance with IFRS.

Remuneration Committee

The Remuneration Committee consists of one executive Director (Mr. Wang Shugao) and two independent non-executive Directors (Ms. Fang Xuan and Mr. Zeng Xiaosong). Ms. Fang Xuan serves as the chairlady of the Remuneration Committee. The main responsibilities of the Remuneration Committee include, but are not limited to, the following:

- (i) to make recommendations to the Board on the overall remuneration policy and structure of the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (ii) to review and approve the remuneration proposals of the management in the light of the corporate policies and objectives resolved by the Board from time to time;
- (iii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including non-pecuniary benefits, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (iv) to make recommendations to the Board on the remuneration of non-executive Directors;
- (v) to consider factors such as the level of remuneration paid by comparable companies, time commitment and responsibilities of Directors and senior management, as well as employment conditions of the Company, its subsidiaries and consolidated affiliated entities;
- (vi) to ensure that none of the Directors or any of their associates are involved in determining their own remuneration;



CORPORATE GOVERNANCE REPORT

- (vii) to review and approve compensation payments and arrangements relating to Directors and senior management for loss or termination of office or appointment, or dismissal or removal for misconduct, and to assess whether any proposed compensation or arrangements are fair, adequate, reasonable, in accordance with relevant contractual terms or otherwise appropriate;
- (viii) to make recommendations to the Shareholders of the Company on how to vote on any Directors' service contracts subject to their approval under the Listing Rules; and
- (ix) to review and/or approve matters relating to the share scheme under Chapter 17 of Listing Rules.

The Company was listed on the Stock Exchange on December 20, 2024. During the period from the Listing Date to December 31, 2024, no Remuneration Committee meetings were held. The Board will disclose relevant meetings in the next annual report according to the requirements as set out in the Corporate Governance Code.

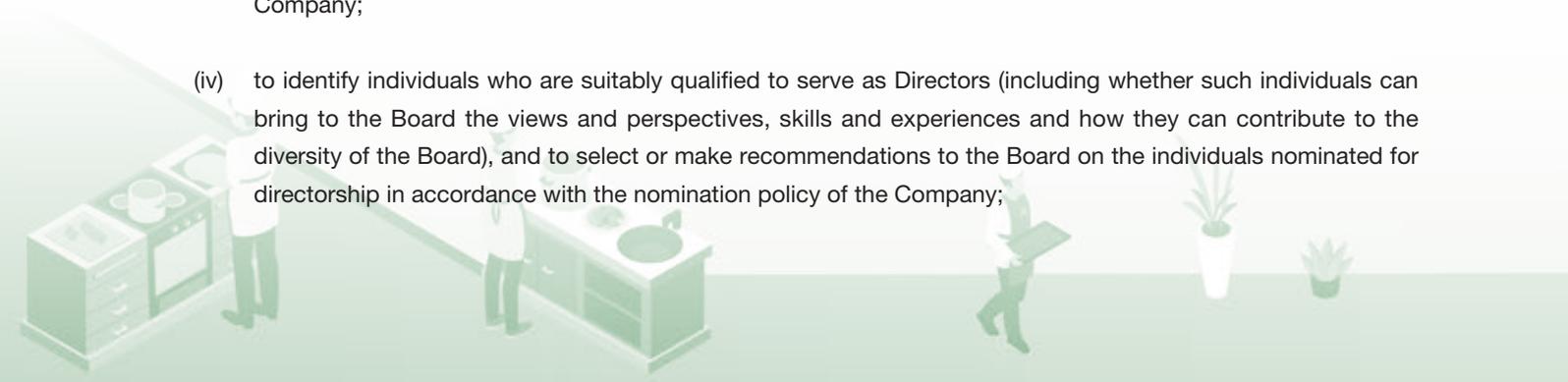
Remuneration Policy

The Directors receive compensation in the form of salaries, bonuses, other allowances and benefits in kind, including the Company's contribution to the pension scheme on their behalf. We determine the salaries of the Directors based on each Director's responsibilities, qualification, position and seniority.

Nomination Committee

The Nomination Committee consists of one executive Director (Mr. Wang Shugao) and two independent non-executive Directors (Mr. Qian Mingxing and Mr. Zhu Nanjun). Mr. Wang Shugao serves as the chairman of the Nomination Committee. The main responsibilities of the Nomination Committee include, but are not limited to, the following:

- (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (ii) to develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
- (iii) to develop and maintain a policy for the nomination of the Directors which includes the nomination procedures and the process and criteria adopted by the Nomination Committee to identify, select and recommend candidates for directorship during the year, and to review periodically and disclose the policy and progress made towards achieving the objectives set in the nomination policy in the corporate governance report of the Company;
- (iv) to identify individuals who are suitably qualified to serve as Directors (including whether such individuals can bring to the Board the views and perspectives, skills and experiences and how they can contribute to the diversity of the Board), and to select or make recommendations to the Board on the individuals nominated for directorship in accordance with the nomination policy of the Company;



CORPORATE GOVERNANCE REPORT

- (v) to assess the independence of the independent non-executive Directors in accordance with the requirements of the Listing Rules;
- (vi) to assess the number of directorships of other listed companies held by candidates to be nominated as the independent non-executive Directors of the Company;
- (vii) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman of the Board and general manager of the Company; and
- (viii) to develop policies concerning the diversity of Board members, and disclose the policies or a summary of the policies in the corporate governance report.

The Company was listed on the Stock Exchange on December 20, 2024. During the period from the Listing Date to December 31, 2024, no Nomination Committee meetings were held. The Board will disclose relevant meetings in the next annual report according to the requirements as set out in the Corporate Governance Code.

Board Diversity Policy

We have adopted a Board diversity policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from a wider pool of available talent.

Pursuant to the Board diversity policy, the selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on the merits of the candidates and the contribution that the candidates will bring to the Board.

The Board currently consists of three female Directors and eight male Directors (the female Directors represent approximately 27.3% of the Board) with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management. The Board's goal is to maintain female representation within the Board. The Company is of the view that the Board satisfies the Board diversity policy, and the Board diversity policy of the Company would ensure that the Board will have alternative and potential successors to extend the existing gender diversity of the Board.



CORPORATE GOVERNANCE REPORT

The Nomination Committee of the Company is responsible for the implementation of the Board diversity policy. The Nomination Committee and the Board will review the Board diversity policy annually to ensure its continued effectiveness and the Company will disclose the implementation of its Board diversity policy in its corporate governance report on an annual basis.

Employee Diversity

As at the end of the Reporting Period, the gender diversity of the Group's employees (including senior management) was generally balanced, with the gender ratio of 42.92% female and 57.08% male. The Company's goal is to maintain gender balance among employees.

The Group is always committed to creating a fair, respectful, and inclusive working environment. We make decisions on recruitment, training, promotion, dismissal, and retirement policies without taking into account age, gender, race, ethnicity, nationality, religion, marital status, family status, or any other non-work-related factors. We will continue to strive for an appropriate balance of employee diversity.

Director Nomination Policy

The Board has delegated to the Nomination Committee the responsibility to determine the procedures, process and criteria to be adopted for purposes of selecting and recommending candidates for directorship. The Board may, however, rescind its delegation and assume the responsibilities it previously delegated to the Nomination Committee.

The Board has delegated to the Nomination Committee the responsibility to identify candidates for nomination to the Board (including candidates to fill vacancies) and assess their qualifications in light of the diversity policy and the terms of reference of the Nomination Committee. The Nomination Committee will recommend director candidates for the Board's consideration and review the candidates' qualifications with the Board. The Board retains the authority to nominate a candidate for election by the Shareholders as a director and to fill vacancies. In identifying director candidates, the Nomination Committee may consider all facts and circumstances it deems appropriate, including, among other things, the skills of the candidate, his or her depth and breadth of business experience and other background characteristics, his or her independence and the needs of the Board.

The Nomination Committee and Board may consider a broad range of factors relating to the qualifications and background of nominees, which may include diversity as set forth in the Board diversity policy. The Nomination Committee's and Board's priority in selecting Board members is identification of persons who will further the interests of the Shareholders through their established record of professional accomplishment, depth and breadth of business experience and other background characteristics.



CORPORATE GOVERNANCE REPORT

Nomination of Directors by Shareholders

If a Shareholder wishes to propose a person other than a Director of the Company for election as a Director, the Shareholder must deposit a written notice (the “**Notice**”) to the principal place of business in Hong Kong, Unit 15-60, Level 15, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong, for the attention of Ms. She Mingzhu, the joint company secretary of the Company. The Notice must state clearly the name, the contact information of the Shareholder and his/her/their shareholding, the full name of the person proposed for election as a Director, including the person’s biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned (not by the person to be proposed). The Notice must also be accompanied by a letter of consent (the “**Letter of Consent**”) signed by the person proposed to be elected on his/her willingness to be elected as a Director.

The period for lodgement of the Notice and the Letter of Consent will commence from the day after the dispatch of the notice by the Company of the general meeting appointed for the election of Directors and end no later than seven days prior to the date of such general meetings and the minimum length of the period during which the Notice to the Company may be given will be at least seven days. The Notice will be verified by the joint company secretaries with the Company’s branch share registrar and upon their confirmation that the request is proper and in order, the joint company secretaries will ask the Nomination Committee and the Board to consider including the particulars of such proposed person for election as a Director in its announcement or supplementary circular and to include the resolution in the agenda for the general meeting proposing such person to be elected as a Director.



CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the Company's consolidated financial statements for the year ended December 31, 2024. The statement of the Company's independent auditor's reporting responsibilities in relation to the financial statements is set out in the independent auditor's report.

The Directors are not aware of any material uncertainties or conditions that may significantly affect the Company's ability to continue as a going concern.

EMOLUMENT OF AUDITORS

For the year ended December 31, 2024, the emolument paid/payable by the Company to its external auditor, KPMG for the audit services and non-audit services provided, is as follows:

Service Category	Fees Paid/Payable (RMB'000)
Audit and audit-related services	4,200
Total	4,200

JOINT COMPANY SECRETARIES

Both of Ms. She Mingzhu and Ms. Au Wing Han were appointed on December 2, 2024 as the joint company secretaries of the Company.

Ms. She Mingzhu is the primary contact person of Ms. Au Wing Han in the Company, and cooperates and communicates with Ms. Au Wing Han on the corporate governance matters of the Company. Biographical details of Ms. She Mingzhu and Ms. Au Wing Han are set out in the section headed "Biographies of Directors and Senior Management" in this annual report.

For the year ended December 31, 2024, Ms. She Mingzhu and Ms. Au Wing Han have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.



CORPORATE GOVERNANCE REPORT

RELATIONSHIP WITH SHAREHOLDERS

Communications with Shareholders

The Board believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of its corporate information, which enables Shareholders and investors to make the best investment decisions.

The Company communicates with Shareholders and the investment community mainly through the Company's financial reports (including interim and annual reports), annual general meetings and other general meetings that may be convened, as well as provision of all disclosure data submitted to the Hong Kong Stock Exchange and corporate communications and other company publications published on the Company's website and other manners.

General Meetings

The general meetings of the Company serve as an opportunity for the Directors and senior management to communicate with the Shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxy(ies) to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. The Company shall give written notice to Shareholders at least 21 days prior to the annual general meetings and at least 14 days prior to any other general meeting.

Members of the Board, in particular, the chairmen of Board committees or their proxies, appropriate management personnel and external auditors will attend annual general meetings to answer Shareholders' questions.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, amended to ensure that Shareholders' needs are best served.

Corporate Communications

Corporate communications will be provided to Shareholders in plain language and in both English and Chinese to facilitate Shareholders' understanding of the content of the communications. Shareholders have the right to choose the language (either English or Chinese) or means of receipt (in hard copy or through electronic means) of corporate communication. Shareholders are encouraged to provide, in particular, their email addresses to the Company in order to facilitate timely and effective communications.



CORPORATE GOVERNANCE REPORT

Company's Website

The Company maintains a website at www.xiaocaiyuan.com as a communication platform with the Shareholders and investors. Information on the Company's website will be updated on a regular basis. Information released by the Company on the website of the Stock Exchange will also be posted on the Company's website for corporate communications in real time thereafter. Such information includes financial statements, results announcements, circulars and notices of general meetings and associated explanatory documents, etc.

Shareholders' Enquiries

Shareholders and investors may send written enquiries or requests to the Company for the attention of the Board. The contact details are as follows:

Address: Unit 15-60, Level 15, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong, China
Email: mingzhu@xiaocaiyuan.com

Shareholders may raise questions about their equity with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited. The Company ensures that the Hong Kong Share Registrar maintains up-to-date data on the Shares at all times to respond effectively to the Shareholders' enquiries.

POLICIES RELATING TO SHAREHOLDERS

Shareholders Communication Policy

The Company believes that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enables the Shareholders and investors to make the best investment decision.

The Company communicates with Shareholders and investors mainly through the Company's financial reports (including interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by publishing all disclosure information submitted to the Stock Exchange and corporate communications and other company publications on the Company's website.

The Company has reviewed and considered the implementation of the Shareholders Communication Policy to be effective from the Listing Date to the end of the Reporting Period.



CORPORATE GOVERNANCE REPORT

Dividend Policy

Any future declarations and payments of dividends will be at the absolute discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. We are a holding company incorporated in the Cayman Islands and operate our businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to the Shareholders depends upon dividends received from these subsidiaries. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. The PRC laws and regulations also require enterprise incorporated in the PRC to set aside 10% of after-tax profits based on the relevant accounting standards set out by the PRC regulatory authorities at the end of each year to fund certain statutory reserves until such reserve funds reach and remain at or above 50% of the relevant PRC entity's registered capital. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The Board will review the dividend policy on a regular basis.

Shareholders' Rights

To safeguard Shareholders' interests and rights, separate resolutions should be proposed at general meetings for each significant matter, including the election of individual Directors, for consideration and voting by Shareholders. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, and the results of the voting will be published on the websites of the Company (www.xiaocaiyuan.com) and the Hong Kong Stock Exchange (www.hkexnews.hk) after each general meeting.

In accordance with the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a general meeting. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the consideration of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.



CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

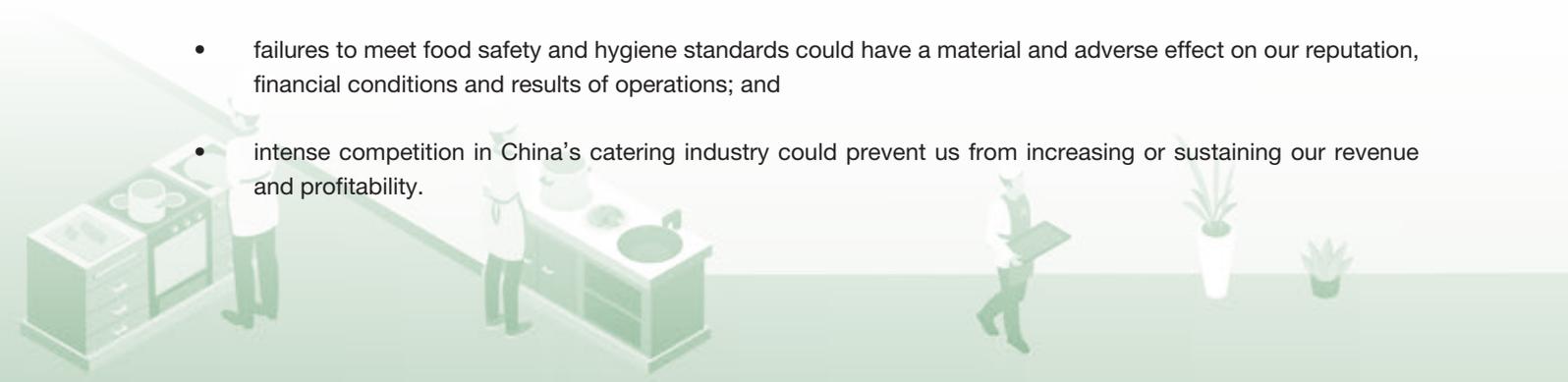
The Articles of Association of the Company have been effective from the Listing Date, and are available on the websites of the Company and the Stock Exchange. There were no changes in the Company's constitutional documents during the period from the Listing Date to December 31, 2024.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board to maintain adequate risk management and internal control systems to safeguard Shareholder investments and the Company's assets and review the effectiveness of such systems on an ongoing basis at least annually. The Board shall also oversee the design, implementation and monitoring of risk management and internal control systems by the management, who should provide the Board with confirmation of the effectiveness of such systems. The Board considers that such systems are designed to manage rather than eliminate the risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misrepresentation or loss.

We have implemented a series of risk management policies and procedures to identify, assess and manage risks we are exposed to in our operations. Some of the major risks we face include:

- our business depends significantly on the market recognition of our Xiaocaiyuan brand, and if we are not able to maintain or enhance the image of our Xiaocaiyuan brand recognition, our business, financial conditions and results of operations may be materially and adversely affected;
- we have in recent years experienced rapid expansion, which may lead to increasing risks and uncertainties, and our evolving operation system may not be effective in addressing such risks and uncertainties;
- we may not be able to maintain and increase the sales and profitability of our existing restaurants, and our future growth also depends on our ability to open and profitably operate in existing and new geographical markets;
- increases in the cost of food ingredients used in our restaurants and other associated costs as a result of market forces may lead to declines in our margins and operating results;
- if we cannot obtain desirable restaurant sites or secure the renewal of existing leases on commercially reasonable terms, or our current restaurant sites are affected by other unfavourable factors beyond our control, our business, results of operations and ability to implement our growth strategy may be materially and adversely affected;
- if the quality of our offerings or dining experiences declines, our restaurants may not continue to be successful;
- we may be unable to continue to successfully develop our new brands;
- failures to meet food safety and hygiene standards could have a material and adverse effect on our reputation, financial conditions and results of operations; and
- intense competition in China's catering industry could prevent us from increasing or sustaining our revenue and profitability.



CORPORATE GOVERNANCE REPORT

To monitor the ongoing implementation of our risk management policies and corporate governance measures, we have established an internal audit function and will continue to adopt, the following risk management measures:

- we have established an Audit Committee to review and supervise our financial reporting process and internal control system;
- we have adopted various policies to ensure compliance with the Listing Rules, including, but not limited to, requirements regarding connected transactions and information disclosure;
- we will continue to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong; and
- we have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and areas for improvement, provide recommendations for and review the implementation status of these remedial actions. In addition to the internal control measures we adopted in relation to non-compliant incidents, we have also taken measures to improve internal controls in relation to other respects of our operations. The Company has implemented various policies and procedures to ensure effective management in our operations, production, financial reporting and recording, and compliance with applicable laws and regulations.

The Board, through the Audit Committee, has reviewed the effectiveness of the Group's risk management and internal control systems, as well as the effectiveness of the internal audit function and considers such systems in place for the year ended December 31, 2024 and as of the Latest Practicable Date, to be effective and adequate.



DIRECTORS' REPORT

The Board is pleased to present the Directors' report together with the audited consolidated financial statements of the Group for the year ended December 31, 2024.

LIST OF DIRECTORS

During the Reporting Period and as of the Latest Practicable Date, the list of Directors of the Company is set out below:

Executive Directors

Mr. Wang Shugao (汪書高) (*Chairman of the Board and general manager*)

Mr. Li Daoqing (李道慶)

Mr. Tian Chunyong (田春永)

Mr. Zhou Bin (周斌)

Ms. Wang Weifang (汪維芳)

Mr. Tao Xu'an (陶旭安)

Non-executive Directors

Ms. Zhu Xuejing (朱雪菁) (*appointed on March 7, 2025*)

Mr. Law Wing Cheung Ryan (羅永祥) (*resigned on March 7, 2025*)

Independent Non-executive Directors

Mr. Qian Mingxing (錢明星)

Mr. Zhu Nanjun (朱南軍)

Mr. Zeng Xiaosong (曾曉松)

Ms. Fang Xuan (方璇)

Details of the Directors' biographies are set out in the section headed "Biographies of Directors and Senior Management" of this annual report.

Mr. Law Wing Cheung Ryan has resigned as a non-executive Director with effect from March 7, 2025 due to other work arrangement.

PRINCIPAL ACTIVITIES

We are one of the renowned self-operated chain restaurants in China's mass Chinese cuisine market. Capitalizing on our deep comprehension of China's evolving catering industry, the anticipated modernization and industrialization in the industry, and the inherent consumer demand, we strategically ventured into the growing mass Chinese cuisine sector. Since our establishment in 2013, we have been striving to offer consumers home-style flavor dishes and attentive services at affordable prices. We aspire to establish our Xiaocaiyuan restaurants as the "home kitchen" widely acknowledged by Chinese consumers.

A fair review of the Group's business and analysis using financial key performance indicators, the major risks and uncertainties facing the Group and a discussion of the future development of the Group's business are set out in the section headed "Management Discussion and Analysis" in this annual report. This section forms an integral part of this directors' report.



DIRECTORS' REPORT

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company maintains good relationships with its employees, customers and suppliers. The Company provides employees with a good working environment and an effective incentive mechanism, continuously optimizes employee training system to offer employees varied career development paths, which encourages the common growth of employees with enterprise and ensures their rights and interests.

We have a large and fragmented customer base, and we generally offer dishes directly to consumers through an extensive network of self-operation restaurants. For the year ended December 31, 2024, the revenue we derived from our five largest customers accounted for 0.07% (less than 30%) of our total revenue during such period.

We have established a comprehensive supply chain network, consisting of 1 central kitchen and 14 warehouses in China. We also have an in-house transportation fleet of over 200 vehicles to ensure effective delivery of supplies to each restaurant. Our self-built supply chain system empowers us to execute efficient cost control strategies by procuring high-quality supplies at advantageous prices, enabling us to present our consumers delicious meals at affordable prices. The network of our central kitchen and warehouses enables us to ensure supply stability at our restaurants by stocking products in reserve and centralizing the procurement process. Each of our restaurants is able to realize stock replenishment on a daily basis. The food ingredients we purchase primarily include the chicken, beef, pork, aquatic products, vegetables, rice and condiments. For the year ended December 31, 2024, the purchases from our five largest suppliers accounted for 23.1% (less than 30%) of our total purchases during such period.



DIRECTORS' REPORT

SEGMENT INFORMATION

An analysis of the Group's results for the year by business segments is set out in Note 4 to the financial statements.

RESULTS

The operating results of the Group during the Reporting Period are set out in the consolidated statements of profit or loss on page 97 of this annual report.

SHARE CAPITAL

As at December 31, 2024, the authorised share capital of the Company was US\$50,000 divided into 5,000,000,000 shares with par value of US\$0.00001 each. Details of the changes in the share capital of the Company during the Reporting Period are set out in Note 26(c) to the financial statements.

FINAL DIVIDENDS

The Board has resolved to recommend a final dividend of RMB0.3187 per share, amounting to RMB375 million in total, for the year ended December 31, 2024, which is subject to the approval of the Shareholders at the forthcoming annual general meeting. The final dividends are expected to be paid on May 16, 2025. The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

The proposed final dividends are subject to the approval of the Shareholders at the forthcoming annual general meeting. The record date for entitlement to the proposed final dividends is May 6, 2025. For determining the Shareholder entitlement to the proposed final dividends, the register of members of the Company will be closed on May 6, 2025, on which day no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on May 2, 2025.



DIRECTORS' REPORT

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting is scheduled to be held on April 28, 2025. To determine the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from April 23, 2025 to April 28, 2025, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on April 22, 2025. Shareholders whose names appear on the register of members of the Company on April 28, 2025 are eligible to attend and vote at the annual general meeting.

DONATION

For the year ended December 31, 2024, the donation expenditure of the Group was approximately RMB20,000.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied with the relevant laws and regulations that have significant impacts on the Group's business and operations in all material respects during the Reporting Period. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the year ended December 31, 2024.

ISSUANCE OF DEBENTURES

The Group has not issued any debentures for the year ended December 31, 2024.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's securities (including the sale of treasury shares) during the period from the Listing Date to December 31, 2024.

The Company did not hold any treasury shares as of December 31, 2024.

THE USE OF PROCEEDS FROM THE GLOBAL OFFERING

On December 20, 2024, the Company was listed on the Main Board of the Hong Kong Stock Exchange. The number of Shares under the Global Offering was 101,180,800 Shares, comprising the offer of 10,118,400 Shares under the Hong Kong Public Offering and the offer of 91,062,400 Shares under the International Offering at a nominal value of US\$0.00001 per Share. Based on the final Offer Price of HK\$8.50 per Offer Share, the net proceeds received by the Company from the Global Offering after deducting the underwriting commission and other estimated expenses in connection with the Global Offering amounted to approximately HK\$794.8 million, which will be used in accordance with the use of proceeds as disclosed in the Prospectus as follows:



DIRECTORS' REPORT

Purpose	% of use of proceeds	Net proceeds (HK\$ in millions)	Utilized proceeds during the Reporting Period (HK\$ in millions)	Unutilized proceeds as at the end of the Reporting Period (HK\$ in millions)	Expected timetable for the fully utilizing of unutilized proceeds
Expansion of our restaurant network to broaden our geographical coverage and deepen our market penetration	40.0%	317.9	–	317.9	December 31, 2026
Strengthen our supply chain capabilities	37.0%	294.1	–	294.1	December 31, 2026
Promote our information technology capabilities through upgrading our smart devices and digital systems	13.0%	103.3	–	103.3	December 31, 2026
Working capital and general corporate purposes	10.0%	79.5	–	79.5	December 31, 2026
Total	100%	794.8	–	794.8	

There has been no change in the intended use of net proceeds as detailed in the Prospectus and disclosed above since the Listing Date and up to the Latest Practicable Date. We have deposited the unutilized net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions.

PRINCIPAL SUBSIDIARIES

Details of the names, principal places of business, places of incorporation and issued share capital of the Company's principal subsidiaries are set out in Note 14 to the financial statements.

RESERVES

For the year ended December 31, 2024, details of movements in the reserves of the Group and the Company are set out in Note 26(d) to the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at December 31, 2024, the distributable reserves of the Group amounted to RMB815,410,000.



DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group for the year ended December 31, 2024 are set out in Note 11 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at December 31, 2024 are set out in Note 19 to the financial statements.

PERMITTED INDEMNITY PROVISION

Subject to the relevant regulations, each Director shall be indemnified by the Company against all costs, charges, expenses, losses and liabilities that he/she may sustain or incur for the performance of his/her duties or the relevant matters. The Company has purchased insurance to cover the liabilities and expenses incurred in the possible proceedings against the Directors.

CONNECTED TRANSACTION

Details of the related party transactions for the year ended December 31, 2024 are set out in Note 29 to the financial statements. None of such related party transactions constitutes a “connected transaction” or a “continuing connected transaction” which is required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

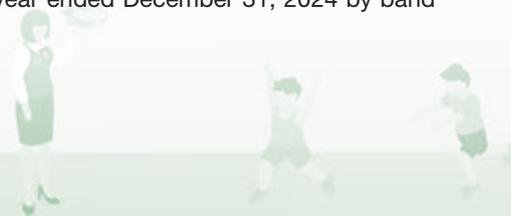
During the Reporting Period, the Group had no connected transaction or continuing connected transaction which was required to be disclosed in accordance with the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

SERVICE CONTRACTS OF DIRECTORS

During the Reporting Period, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND THE FIVE INDIVIDUALS WITH THE HIGHEST REMUNERATION

Details of the remuneration of the Directors and the five individuals with the highest remuneration are set out in Note 8 and Note 9 to the financial statements, respectively. Pursuant to code provision E.1.5 of the CG Code, the remuneration of the senior management (other than the Directors) for the year ended December 31, 2024 by band are set out below:



DIRECTORS' REPORT

Remuneration grades	Number of persons
HK\$0 to HK\$500,000	0
HK\$500,001 to HK\$1,000,000	2

During the Reporting Period, no Director waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the Directors or the five individuals with the highest remuneration as an inducement to join or upon joining the Group or as compensation for loss of office.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, none of the Directors or their connected entities had any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Company, to which the Company or any of its subsidiaries was a party.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their associates was engaged in or interested in any business which competes or is likely to compete, directly or indirectly, with the business of the Group and would require disclosure under the Listing Rules.

THE RIGHTS OF DIRECTORS AND CHIEF EXECUTIVES TO ACQUIRE SHARES OR BONDS

None of the Company, its holding company or any of its subsidiaries was engaged in any arrangement during any time of the Reporting Period, which enabled the Directors and chief executives to obtain benefits through the acquisition of shares or debt securities (including debentures) of the Company or any other corporation.

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

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



DIRECTORS' REPORT

Interest in the shares of the Company

Name of Director or chief executive	Nature of interest	Number of Shares interested ¹	Approximate percentage of interest in the Company as of December 31, 2024 ²
Mr. Wang Shugao ^{3,4}	Interest in controlled corporation	1,000,000,000	85.00%
Mr. Li Daoqing ⁴	Interests held jointly with other person	429,714,000	36.52%
Mr. Tian Chunyong ⁴	Interests held jointly with other person	429,714,000	36.52%
Mr. Zhou Bin ⁴	Interests held jointly with other person	429,714,000	36.52%
Ms. Wang Weifang ⁴	Interests held jointly with other person	429,714,000	36.52%
Mr. Tao Xu'an ⁴	Interests held jointly with other person	429,714,000	36.52%

Notes:

- All interests stated are long positions.
- The calculation is based on the total number of 1,176,518,800 Shares of the Company in issue as of December 31, 2024.
- Mr. Wang Shugao is the sole director of each of the BVI Entities and therefore entitled to control the voting power of each of the BVI Entities. In light of the above, Mr. Wang Shugao is deemed to be interested in 85.00% of the Shares of the Company, including the equity interest held by XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited and XCY Future Limited.
- Mr. Wang Shugao, Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan held 29.26%, 9.84%, 9.84%, 9.84%, 9.84%, 8.51%, 8.51%, 7.18% and 7.18% of the equity interests in XCY Yongqing Limited, respectively. Since the incorporation of the Company in 2021, Mr. Wang Shugao and the other individual Shareholders have been acting in concert by aligning their votes of XCY Yongqing Limited. On October 10, 2023, Mr. Wang Shugao entered into the acting in concert agreement with the other individual Shareholders, pursuant to which they confirmed that they have been acting in concert since the incorporation of the Company in 2021 and will continue to act in concert by aligning their votes of XCY Yongqing Limited, and that the other individual Shareholders will follow Mr. Wang Shugao's decisions in relation to the exercise of the voting rights by XCY Yongqing Limited. In light of above, each of the other individual Shareholders is deemed to be jointly interested in the shares held by XCY Yongqing Limited in the Company under the SFO.



DIRECTORS' REPORT

Save as set out above, as at December 31, 2024, the Directors are not aware of any of our Directors or chief executives who have any interests and/or short positions (including interests and/or short positions which he/she is taken or deemed to have under such provisions of the SFO) in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND/OR SHORT POSITIONS HELD BY SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2024, to the best knowledge of the Company and Directors, the following persons (other than our Directors or chief executives) have an interest and/or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to section 336 of Part XV of the SFO, interest or a short position will be recorded in the register maintained by the Company:

Name of Shareholders	Capacity/nature of interest	Number of Shares held ¹	Approximate percentage of interests in the Company as of December 31, 2024 ²
XCY Yongqing Limited ³	Beneficial owner	429,714,000	36.52%
XCY Xuyuan Limited ³	Beneficial owner	275,429,000	23.41%
XCY Zhiyuan Limited ³	Beneficial owner	69,714,000	5.93%
XCY Huiming Limited ³	Beneficial owner	56,000,000	4.76%
XCY Weiyuan Limited ³	Beneficial owner	26,857,000	2.28%
XCY Liyuan Limited ³	Beneficial owner	20,571,000	1.75%
XCY Future Limited ³	Beneficial owner	121,715,000	10.35%
Mr. Ye Hongli ⁴	Interests held jointly with other person	429,714,000	36.52%
Mr. Fang Zhiguo ⁴	Interests held jointly with other person	429,714,000	36.52%
Mr. Chen Haiyan ⁴	Interests held jointly with other person	429,714,000	36.52%
Harvest Delicacy ⁵	Beneficial owner	75,338,000	6.40%



DIRECTORS' REPORT

Notes:

1. All interests stated are long positions.
2. The calculation is based on the total number of 1,176,518,800 shares of the Company in issue as of December 31, 2024.
3. Mr. Wang Shugao is the sole director of each of the BVI Entities and therefore entitled to control the voting power of each of the BVI Entities. In light of the above, Mr. Wang Shugao is deemed to be interested in 85.00% of the shares of the Company, including the equity interest held by XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited and XCY Future Limited.
4. Mr. Wang Shugao, Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu'an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan held 29.26%, 9.84%, 9.84%, 9.84%, 9.84%, 8.51%, 8.51%, 7.18% and 7.18% of the equity interests in XCY Yongqing Limited. Since the incorporation of the Company in 2021, Mr. Wang Shugao and the Other Individual Shareholders have been acting in concert by aligning their votes of XCY Yongqing Limited. On October 10, 2023, Mr. Wang Shugao entered into the Acting in Concert Agreement with the Other Individual Shareholders, pursuant to which they confirmed that they have been acting in concert since the incorporation of the Company in 2021 and will continue to act in concert by aligning their votes of XCY Yongqing Limited, and that the Other Individual Shareholders will follow Mr. Wang Shugao's decisions in relation to the exercise of the voting rights by XCY Yongqing Limited. In light of above, each of the Other Individual Shareholders also constitutes a Controlling Shareholder of the Company. Under the SFO, each of the Other Individual Shareholders is deemed to be jointly interested in the shares held by XCY Yongqing Limited in the Company.
5. Harvest Delicacy is ultimately controlled by Mr. Song Xiangqian.

Except as disclosed above, our Directors are not aware of any other person who will, as at December 31, 2024, have any interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which will be required, pursuant to section 336 of Part XV of the SFO, interest or short positions will be recorded in the register maintained by the Company.

PENSION SCHEME

Details of the pension scheme are set out in Note 6(b) to the financial statements.

For the year ended December 31, 2024, no forfeited contributions were utilised by the Group to reduce its contributions for the current year.

SUBSTANTIAL LITIGATION AND ARBITRATION MATTERS

During the Reporting Period, the Group did not have any litigation or arbitration matters that had a significant impact on its operating activities.

MATERIAL CONTRACTS

During the Reporting Period, (i) no material contract was entered into and/or subsisted among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries; and (ii) there is no material contract in relation to the provision of services by the Controlling Shareholders or any of their subsidiaries to the Group.

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENT

For the year ended December 31, 2024, no equity-linked agreement was entered into by the Group or existed.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the Cayman Companies Act which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

PUBLIC FLOAT

According to the information that is publicly available to the Company, and so far as the Directors are aware, as of the Latest Practicable Date, approximately 15.00% of the total issued share capital of the Company was held by the Public, which is in compliance with the requirements of the Listing Rules and the public float waiver approved by the Stock Exchange. For details of the public float waiver, please refer to the section headed "Waivers from strict compliance with the Listing Rules – Waiver in respect of public float" in the Prospectus.

MANAGEMENT CONTRACTS

Save for the Directors' service contracts, no contract concerning the management or administration of the whole or a substantial part of the business of the Company was entered into or existed for the year ended December 31, 2024.

TAX RELIEF

The Company is not aware of any tax relief available to the holders of any securities of the Company by reason of their holding of such securities.

ENVIRONMENTAL POLICY AND PERFORMANCE

We adhere to all applicable environmental regulations and legal requirements, striving to minimize our negative impact on the environment. We established a sustainable development policy that commits to incorporating the principles of sustainability in our operations and provides guidance on practicing corporate social responsibility in our daily operations.



DIRECTORS' REPORT

For environmental protection, we maintain a strong commitment to strict adherence to all relevant environmental laws and regulations. To ensure compliance, we have established an Environmental Protection Management System within our restaurants and offices. For food waste management, we emphasize reducing food waste and incorporate it into our operations. We are committed to efficient utilization of natural resources, minimizing environmental impact and reducing food waste. For packaging material usage, we ensure product quality and safety.

For details of the Group's environmental policy and performance, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

HUMAN RESOURCES AND REMUNERATION POLICY

As of December 31, 2024, the Group had 12,034 full-time employees (December 31, 2023: 12,295), most of whom were located in Tongling, Anhui Province, the PRC.

We recruit our employees from the open market, as well as through internal referrals. The restaurant manager and our human resources department are responsible for recruiting restaurant frontline staff of that particular restaurant. Our recruitment process usually includes interviews and an evaluation of a candidate's qualifications and experiences. We are committed to providing fair and equal opportunities in all of our employment practices and have adopted policies and procedures to ensure a fair hiring, selection and promotion process. As required by regulations of the PRC, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. For example, for regional managers, their compensation package includes base salary depending on the number of restaurants they manage and a discretionary bonus depending on the performance of such restaurants. In terms of our key restaurant employees, their compensation packages include base salary and a certain percentage of the profits from their respective restaurants as a discretionary bonus. In particular, for the key restaurant employees who are engaged to run new restaurants, they are entitled to the discretionary bonus from both the new restaurants and their original restaurants for a certain period. In terms of restaurant frontline staff, their compensation package includes base salary, overtime pay and incentive bonus based on individual performance. We have developed and implemented a compensation mechanism that considers every task in the restaurant for bonus review, such as the number of signature dishes sold and positive customer reviews received.

We hold monthly training programs for newly promoted restaurant managers and head chefs and other outstanding employees, where they share their working experiences and our management reiterates our values, motivating our employees to embrace our values, improve operational skills and develop management competencies for their career advancement.



DIRECTORS' REPORT

SHAREHOLDING PLAN

In order to provide incentives and rewards to the employees of the Group, in December 2020, Xiaocaiyuan Holdings adopted the 2020 Shareholding Incentive Plan, pursuant to which certain employees were granted interests of Xiaocaiyuan Holdings through several shareholding platforms, namely, Tongling Xuyuan Enterprise Management Partnership (Limited Partnership) (“**Tongling Xuyuan**”), Tongling Huiming Enterprise Management Partnership (Limited Partnership) (“**Tongling Huiming**”), Tongling Weiyuan Enterprise Management Partnership (Limited Partnership) (“**Tongling Weiyuan**”), Tongling Zhiyuan Enterprise Management Partnership (Limited Partnership) (“**Tongling Zhiyuan**”) and Tongling Liyuan Enterprise Management Partnership (Limited Partnership) (“**Tongling Liyuan**”, together with Tongling Xuyuan, Tongling Huiming, Tongling Weiyuan, Tongling Zhiyuan, the “**PRC Shareholding Platforms**”), holding 31.20%, 5.49%, 2.69%, 7.14% and 2.06% of the shares of Xiaocaiyuan Holdings, respectively and accounting for approximately 48.58% of the share capital of Xiaocaiyuan Holdings in total. Mr. Wang and other 130 employees of the Group were granted partnership interest in the PRC Shareholding Platforms. Tongling Yongqing and each of the PRC Shareholding Platforms are controlled by Mr. Wang. As the 2020 Shareholding Incentive Plan has been completed and terminated prior to the Listing Date and does not involve the grant of new shares or rewards by the Company after the Listing, the terms of the Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

For details of such scheme, please refer to the Prospectus.

SHARE SCHEME

The Company has not adopted any share scheme.

AUDITOR

For the year ended December 31, 2024, KPMG served as the independent auditor of the Company. The financial statements contained in this annual report have been audited by KPMG and there has been no change in the auditor of the Company during the preceding three years.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, no significant events occurred to the Group since December 31, 2024 and up to the Latest Practicable Date.

By order of the Board
Xiaocaiyuan International Holding Ltd.
Mr. Wang Shugao
Chairman and Executive Director

Hong Kong, March 26, 2025



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THE REPORT

Xiaocaiyuan International Holdings Limited (hereinafter referred to as “Xiaocaiyuan”) and its subsidiaries (hereinafter referred to as “the Group” or “we”) are pleased to release our first Environmental, Social, and Governance Report (hereinafter referred to as the “ESG Report” or “the Report”). This Report elaborates on our strategies, objectives, and initiatives in the fields of environmental, social, and governance (ESG), comprehensively discloses our ESG philosophy and practices, and showcases the blueprint for the sustainable development of our enterprise.

1.1 Reporting Guidelines

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “Guide”) in Appendix C2 of the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (the “Exchange”). The content covered in the Report complies with the mandatory disclosure requirements of the Guide (including governance structure, the four reporting principles (materiality, quantitative, balance, and consistency), and the scope of reporting) and the “comply or explain” provisions.

1.2 Reporting Principles

Materiality: The Report adheres to the materiality principle stipulated by the Exchange. It identifies and discloses the process and criteria for selecting material environmental, social, and governance factors, the process of identifying material issues, the material ESG issues, as well as the description of key stakeholders and the process and outcomes of stakeholder engagement.

Quantitative: The statistical standards, methods, assumptions, and/or calculation tools used for reporting emissions/energy consumption (where applicable) in the Report, as well as the sources of conversion factors, are explained in the report’s interpretation section.

Balance: The Report presents the Group’s performance during the Reporting Period in an unbiased manner, avoiding any selection, omission, or presentation format that might inappropriately influence the decisions or judgments of readers.

Consistency: This is the Group’s first report. Should there be any changes in the statistical methods or key performance indicators used, or any other relevant factors that may affect meaningful comparisons, the Group will disclose such changes in subsequent reports.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.3 Scope of the Report

The Report elaborates in detail on the Group's achievements in sustainable development and the fulfillment of corporate social responsibilities related to its core business during the period from January 1, 2024, to December 31, 2024 (hereinafter referred to as "Year" or "Reporting Period"). The Report applies to our direct operational activities in China. The environmental key performance indicators in the Report cover both our restaurants and offices, while the social key performance indicators cover all our operations in China.

1.4 Language of the Report

The Report is published in both Traditional Chinese and English. In case of any discrepancies, the Traditional Chinese version shall prevail.

1.5 Report Approval

The Report was approved by the Board of Directors (the "Board") on March 26, 2025, following confirmation by the management.

1.6 Data Sources and Reliability Statement

All data and case studies disclosed in the Report are sourced from the Group's internal documents, statistical reports, and related publicly available materials. The Group hereby declares that the contents of this Report are true, accurate, and complete, without any false statements, misleading information, or significant omissions, and assumes full responsibility for the same.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. AWARDS AND HONORS

Our brand is widely popular, and we provide customers with an excellent dining experience, which has earned us various awards and honors. The table below lists the major awards and honors we received for the Year:

Honors and Awards

Brands Listed on Meituan’s Must-Order List for 2024
 2024 Consumer Sector Impact Franchise Award in
 the 2024 Forbes China Consumer Sector Annual Selection
 Outstanding Contribution to the Governing Body
 Top 100 Restaurant Brands for 2024

 Breakthrough Brand for Catering Operation in Central China

Issuing Authority

Meituan and Meituan Waimai
 Forbes China Group

 China Hospitality Association
 The Sixth Chinese Restaurants Red
 Eagle Award Review Committee
 Douyin Life Services NKA



Top 100 Restaurant Brands for 2024



Breakthrough Brand for Catering Operation in Central China



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. SUSTAINABLE DEVELOPMENT AND GOVERNANCE

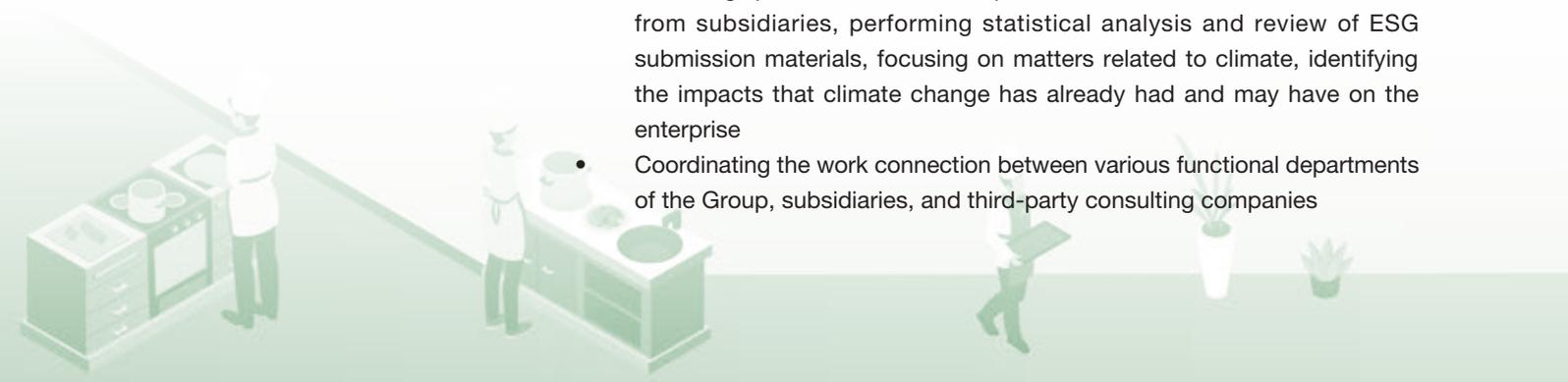
3.1 Board Statement

Adhering to the requirements of the Hong Kong Stock Exchange's "Guide", the Group and the Board strengthen the involvement of the Board of Directors in the Company's ESG affairs, actively integrate ESG principles into the company's business practices. The Group has established an ESG governance structure to strengthen our ESG management. The Board is responsible for leading and overseeing ESG matters, and is responsible for guiding us in addressing ESG and climate-related risks and opportunities. The Board regularly deliberates and supervises ESG policies and strategies, including approving and confirming ESG-related goals, reviewing goal progress, evaluating and prioritizing ESG matters. We have set directional goals related to the environment, and in the future, we will review progress according to the Group's ESG goals to govern and improve our sustainability efforts.

3.2 ESG Management

The Group recognizes the importance of sustainable development to business growth and understands that a scientifically sound governance framework relies on the leadership and management of the Board of Directors. Therefore, the Group has formulated a set of ESG Management Measures (《ESG管理办法》), to establish a framework for internal management of ESG work, including the Board, Board Office, and ESG Working Group.

- | | |
|--------------------|--|
| Board of Directors | <ul style="list-style-type: none"> • Being responsible for identifying ESG issues for the Group and overseeing ESG matters • Regularly deliberating and supervising ESG policies and strategies, including approving and confirming ESG-related goals, reviewing goal progress, prioritizing and managing important ESG matters |
| Board Office | <ul style="list-style-type: none"> • Being responsible for ESG management work, discussing and evaluating major issues, work goals, information disclosure, and external reporting in ESG work |
| ESG Working Group | <ul style="list-style-type: none"> • Providing specific guidance for the implementation of ESG work within the annual targets, organizing communication meetings, and assessing the implementation of ESG work • Being responsible for the implementation of ESG work in the environmental field, collecting quantitative data and qualitative information from subsidiaries, and performing statistical analysis and review of ESG submission materials • Being responsible for the implementation of ESG work in the social field, collecting quantitative data and qualitative information in the social field from subsidiaries, performing statistical analysis and review of ESG submission materials, focusing on matters related to climate, identifying the impacts that climate change has already had and may have on the enterprise • Coordinating the work connection between various functional departments of the Group, subsidiaries, and third-party consulting companies |



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.3 Sustainability Policy

We believe that by practicing the principles of sustainable development, we can contribute to society and the environment, provide high-quality catering services to consumers, and create a good working environment for employees. We comply with all applicable environmental laws and regulations, and strive to minimize our negative impact on the environment. We have established a sustainable development policy, committed to integrating the principles of sustainable development into our operations, and providing guidance for practicing corporate social responsibility in our daily operations.

3.4 Stakeholder Communication

The Group is committed to creating sustainable growth and long-term value for its stakeholders. We actively communicate with internal and external stakeholders through various channels to understand their perspectives and needs.

Stakeholders	Communication Channels
Shareholders/Investors	<ul style="list-style-type: none"> • Regular Reports and Announcements • Shareholder/Investor Meetings • Establishment of Investor Relations Email • Performance Announcement
Consumers	<ul style="list-style-type: none"> • Restaurant Service Communication • National Customer Service Hotline • Service Complaints and Responses
Employees	<ul style="list-style-type: none"> • Employee Communication Meetings • Staff Activities • Internal Activity Communication Channels • Employment Contracts and Regulations
Suppliers and Partners	<ul style="list-style-type: none"> • Supplier Evaluation System • On-site Inspection • Regular Assessment of Supplier Performance
Regulatory Authorities	<ul style="list-style-type: none"> • Compliance Reports
Peers/Competitors	<ul style="list-style-type: none"> • Regular Communication and Exchange

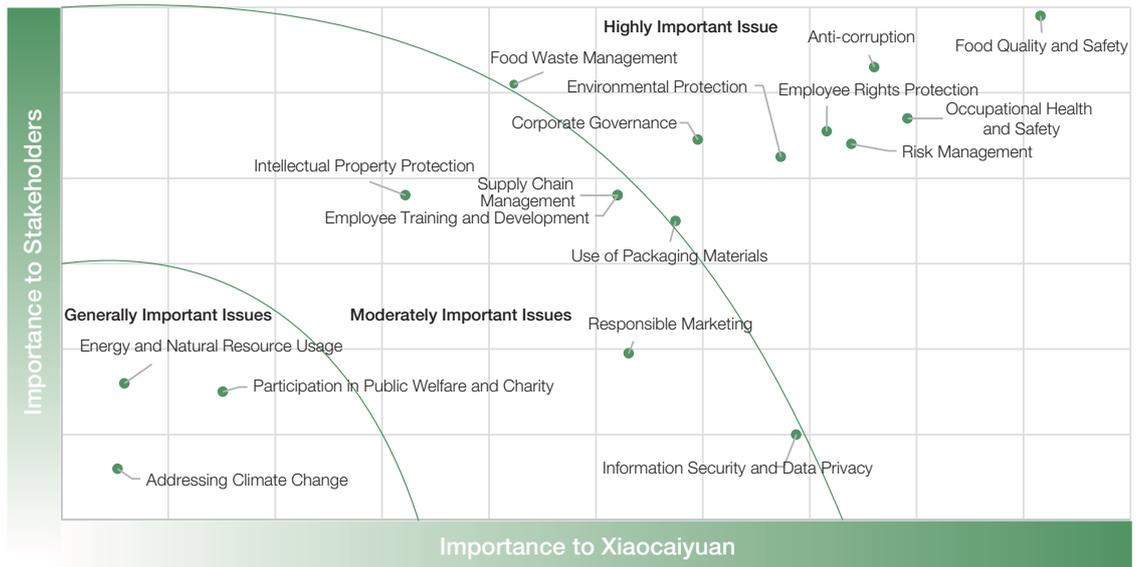


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.5 ESG Materiality Assessment

This Year, the Group conducted a materiality assessment survey of internal and external stakeholders through an online questionnaire, and evaluated the Group’s key issues based on the survey results. Firstly, the Group referred to the Guide, and identified a total of 17 ESG issues to establish a materiality issue repository. Next, the Group invited stakeholders such as company directors, senior management, employees, consumers, suppliers, and business partners to fill out the online questionnaire. Finally, based on the dimensions of “importance to Xiaocaiyuan” and “importance to stakeholders”, all the key issues were evaluated and ranked, and the results of the materiality assessment were summarized and approved by the Board.

Materiality Matrix



Highly Important Issue	Moderately Important Issues	Generally Important Issues
Food Quality and Safety	Information Security and Data Privacy	Energy and Natural Resource Usage
Anti-corruption	Supply Chain Management	Participation in Public Welfare and Charity
Occupational Health and Safety	Employee Training and Development	Addressing Climate Change
Employee Rights Protection	Intellectual Property Protection	
Risk Management	Responsible Marketing	
Environmental Protection		
Corporate Governance		
Food Waste Management		
Use of Packaging Materials		



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. FOOD QUALITY AND SAFETY

4.1 Internal Quality Controls

The Group adheres to the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》), the Implementation Regulations of the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法實施條例》), the Administrative Measures for Food Business Licensing and Filing (《食品經營許可和備案管理辦法》), and other relevant laws, regulations, and national standards. The Group has formulated and implemented internal control policies such as the Food Safety Incident Management System (《食品安全事故管理制度》) and the Food Safety Emergency Plan (《食品安全應急計劃》), strictly supervising the implementation of relevant policies and procedures to ensure the quality of the entire supply chain system from procurement to central kitchens, warehouses, restaurants, and ultimately to consumers, and to prevent food safety incidents.

We have taken multiple measures to identify, control, and respond to potential food issues, in order to minimize risks and losses. When employees discover food safety risks, we require them to immediately report to the management team. The management team will lead or assign personnel to conduct investigations and verifications until the risks are eliminated or the issues are resolved. In daily work, we require employees to always maintain food safety awareness and take immediate corrective actions such as thorough cleaning, issuing warnings, and replacing unqualified ingredients when food hygiene hazards are identified, in order to prevent risks from escalating.

In terms of daily training, we have developed food safety standards and training evaluation procedures for employees at all levels. By providing food handling training, optimizing inspection processes, and investing in intelligent monitoring systems, we constantly convey updated food safety policies and quality control procedures to employees, so as to achieve comprehensive and effective internal control, and enhance employees' awareness and handling capabilities in food safety. In addition, we have engaged internal control consulting experts to help oversee the effectiveness of the overall system and conduct regular food safety inspections of all restaurants, central kitchens, and warehouses in accordance with the Food Safety Inspection Management System (《食品安全檢查管理制度》). The inspections cover key aspects such as food storage, temperature control, and cleanliness to ensure compliance with standards and no major internal control defects.

Our Service Quality Management System has been certified to comply with the international ISO 9001:2015 standard, and the food safety management system for seasoning and frozen food production has been certified to comply with the ISO 22000:2018 and Hazard Analysis and Critical Control Points (HACCP) standards. During the Year, we did not encounter any major food safety or quality issues.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.2 Food Safety and Hygiene Management

The Group has always guarded quality and safety with strict caution. We continuously improve overall food safety and quality control policies, including updating internal control measures and procedures related to maintaining good restaurant hygiene, handling ingredients properly, and ensuring supply quality. We have implemented regulations and systems related to food safety and hygiene for key operational areas such as central kitchens, warehouses, and restaurants, and require employees to comply with relevant regulations. These policies and procedures include personal hygiene, inspection and safe storage of ingredients, food temperature control, premises cleanliness, and disinfection. Our employees are required to undergo mandatory training before starting work in our central kitchens, warehouses, or restaurants. They must also adhere to strict uniform standards and maintain personal cleanliness and hygiene.

To prevent food safety incidents in restaurants, we have implemented a series of strict internal control measures. Firstly, we have established and rigorously implemented restaurant inspection procedures, using measures such as intelligent camera systems to strengthen our oversight of food quality and safety. Secondly, we have developed response and remedy processes for various potential food safety incidents. For example, we conduct thorough cleaning in response to food environmental hygiene issues and guide employees through daily training to raise their awareness of prevention. For the handling of ingredients, we require employees to promptly discard contaminated or unqualified ingredients and replace them with those that meet standards for processing. In our daily food safety training, we include content related to personal hygiene and standardized handling processes for ingredients to prevent any negative impact caused by personal errors or bad habits on ingredients.

The Group has taken various actions to prevent food quality or safety issues. If we find that the food we procure or produce and deliver may pose a safety risk, we will implement a recall according to the Product Recall Management System 《產品召回管理制度》 to prevent further issues. We investigate and assess foods with potential risks from various angles, including compliance with laws and regulations, the scope of involvement, food contamination, and the impact on key consumer groups. Based on the severity of the food safety investigation, recalls are classified into three levels to ensure accurate and timely recall of problematic products. For recalled food products, we will handle them harmlessly or dispose of them. If a recall is due to labeling or identification issues, we will take remedial measures while ensuring food safety. All recalled products will be carefully recorded, and corrective actions will be proposed to prevent similar incidents from recurring.

During the Year, the Group did not recall any products due to safety and health reasons.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.3 Supply Chain Management

We have established a Supplier Management System (《供應商管理制度》) to ensure that the products provided by various suppliers meet the Group's standards, while steadily improving the quality of suppliers and promoting mutually beneficial cooperation relationships. To ensure compliance with our guidelines and applicable regulations, we manage suppliers in various aspects and manage supply chain risks.

The Supplier Management System (《供應商管理制度》) specifies the responsibilities of various departments. The Purchasing Department is responsible for material procurement, supplier development and maintenance, and the establishment and management of supplier files. The introduction of new suppliers is subject to strict qualification audits, sample testing, and on-site audits. The Food Quality Control Department is responsible for spot checks on the qualification certificates of new suppliers and provides food safety standards, as well as leading regular quality and safety audits.

To continuously monitor and improve the quality level of suppliers, we conduct annual evaluations of suppliers. We have established a series of rigorous audit procedures for suppliers, including operating procedures, personnel management, safety maintenance, and quality management systems. Based on the previous year's supplier delivery performance, we grade suppliers based on quality. The grading criteria are based on data such as material arrival records, Material Abnormality Record Forms (《物料異常記錄表》), and on-site audit data of suppliers. We set the material qualification rate, quality complaint rate, and on-site audit score of the previous year as the main evaluation indicators. According to the evaluation criteria, suppliers are divided into four levels: excellent, good, qualified, and unqualified. Different levels of suppliers have different cooperation suggestions and order allocation strategies, and we prioritize cooperation with higher-level suppliers. We also conduct regular assessments of suppliers. If a supplier fails to meet our requirements and cannot correct their mistakes, we will terminate the employment of that supplier.

In addition, the Group has established a comprehensive emergency handling system, including risk assessment and business continuity plans, to deal with potential supply chain security incidents. We take into account potential unforeseen events in the operation of the supply chain, such as accidents, disasters, changes in production plans, product compliance risks, etc. (e.g., damaged goods, delayed delivery, temperature loss control, excessive pesticide residues), and relevant departments develop major supply chain emergency preparedness plans and establish emergency contacts to ensure that contact information is kept up to date. In the event of a security incident, we will require the relevant departments to conduct root cause analysis, fill out incident reports, and take corrective measures based on the causes of the incident.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, we had approximately 500 suppliers, all of whom have followed supplier practices, and the distribution is as follows:

Region	No. of Suppliers
Mainland China	500
Overseas region	0

The Group maintains a “zero-tolerance” stance towards corruption and bribery among suppliers. All suppliers are required to sign the Anti-Commercial Bribery Agreement (《反商業賄賂協議》) and the Integrity Commitment Letter (《廉潔承諾書》), which clearly define forms of corrupt practices to ensure fairness and transparency in the procurement process. Under equal conditions, we usually seek suppliers that are closer to our central kitchens to reduce costs and minimize environmental impact.

5. COMPLIANCE AND PRUDENT OPERATION

5.1 Upholding the Bottom Line of Integrity

We steadfastly abide by the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Criminal Law of the People’s Republic of China (《中華人民共和國刑法》), and the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》), along with other relevant laws and regulations aimed at preventing bribery, extortion, fraud, and money laundering. The Group attaches importance to fair and just operations and adopts a zero-tolerance attitude towards improper and unethical behavior. The Group strictly prohibits any form of corruption, money laundering, bribery, fraud, extortion, and various forms of unethical behavior. We have established the Anti-Corruption Management System (《反腐敗管理制度》), which outlines reporting and fraud handling procedures. Employees at all levels and social parties with direct or indirect economic relationships with the company can report information on actual or suspected fraud cases through reporting hotlines, emails, letters, and other channels. We strictly protect the privacy of whistleblowers. Employees engaged in receiving and investigating reports or participating in fraud investigations are prohibited from disclosing relevant information about whistleblowers or the content of the reports without authorization. Any personnel who violate regulations by leaking information or taking retaliatory actions against whistleblowers will be dismissed or have their labor contracts terminated. If a violation constitutes a legal offense, it will be transferred to judicial authorities for legal proceedings. During the Year, we conducted anti-corruption training for directors and conducted integrity training for new employees on a monthly basis.

During the Year, the Group did not receive any legal cases regarding corruption involving the Group or its employees.



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5.2 Protecting Information Security

We comply with applicable laws and regulations in China regarding information security and privacy protection, actively protecting consumer privacy and data security. The Group has established and implemented internal policies such as the Customer Information Management System 《客戶信息管理制 度》, Backup Management Measures 《備份管理辦法》, Data Management Measures 《數據管理辦法》, and Operation Management Measures 《運行管理辦法》 to comprehensively protect group information and consumer privacy. We classify production data into five categories: encryption keys, customer information, business data, parameter information, and technological information based on their nature of application. We strictly adhere to regulations regarding the use, storage, modification, and recovery of data. We require employees in various departments to promptly update their computer antivirus software, refrain from installing hardware or software unrelated to office work, and willingly follow data security guidance and management. Our Operation Management Measures 《運行管理辦法》 and Backup Management Measures provide detailed regulations for the management of group information system network equipment and backup information. We require administrators to regularly check backup data, including the information service status of outsourcing suppliers, to ensure information security at the system level of the Group.

To protect the personal information security of consumers, we have implemented various measures to safeguard their right to know and ensure the collection of information only after obtaining their consent. In the process of providing online services to consumers through WeChat and Alipay, it may involve personal information such as name, mobile phone number, gender, and date of birth. This information is used for registering the membership system and providing member benefits. Before collecting such information, we request consumers to explicitly consent to the privacy policy, authorize our usage scenarios and purposes, and store the collected information within China, strictly adhering to relevant laws and regulations on data collection and storage. For orders placed through third-party delivery platforms, we only receive anonymized information such as pseudonymous names, addresses, and phone numbers from the platform.



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In terms of consumer information storage, the Group strictly complies with Chinese laws and regulations, following the principle of minimum necessary collection. The Group's Information Department and Data Privacy and Security Team are responsible for information security-related work and supervision of data privacy protection management. Each department must obtain approval from the relevant person in charge before querying and accessing data. Before modifying data, backup verification is required, and during modification, dual-person operation is enforced. After completion, verification is conducted. Other uses require application and anonymization processing. The personnel in the IT Management Center are responsible for the supervision, delivery, and migration of data. For expired data, after approval, personnel from the Information Department, Audit Department, and Office jointly conduct on-site supervision and disposal at the designated location. Meanwhile, we have upgraded multiple technical measures, such as equipping network ports with firewalls and purchasing Alibaba Cloud storage services, to comprehensively ensure information security. For the user data collected, we have implemented a series of protective measures, including but not limited to encryption technologies for data transmission and storage, as well as enforcing strict user data access policies. Additionally, we provide employees with training courses on information security laws, regulations, and internal policies, continuously enhancing awareness of information protection. Through our relentless efforts, we have been awarded the Level 2 Certification for Information Security Protection by the Cybersecurity Protection Division of the Tongling Public Security Bureau.

During the Year, we have not experienced any major data breaches or received any complaints related to data security.



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5.3 Technology Empowering Management

We actively create an IT system centered around data assets. In recent years, we have launched various systems such as the membership system, Business Intelligence (BI) system, business middle office system, Systems, Applications, and Products (SAP) system, intelligent camera system, point-of-sale (POS) system, digital supply chain system, and travel management system, which jointly promote our business operations.

- Membership System

We design and maintain an online membership system, cultivating customer lifecycle operation continuously. Our membership system aggregates traffic from multiple channels and utilizes automated operation tools to generate consumer insights and increase member repurchase frequency. The increase in the base of members and their repurchase behavior will become key driving forces for our future development.

- BI Analysis System

Our BI analysis system has the capabilities of data collection, cleansing, analysis, and visualization. It helps us efficiently obtain valuable information from a large volume of data, and facilitates insights into restaurant operation management and consumer demands.

- Business Middle Office System

Our business middle office system integrates various functions such as master data modules, reconciliation centers, order centers, and leasing modules, comprehensively covering crucial aspects of company operations.

- Smart Devices

We have applied the latest technology to restaurant management and will continue to strengthen the application of intelligent tools in various aspects of daily operations. For example, we have achieved comprehensive 360-degree monitoring of the back of all restaurants. Headquarters and regional management personnel can monitor operations in real-time. We actively upgrade this system by introducing AI algorithms and other advanced technologies to automatically capture any non-compliant behavior in the restaurant (if any). It combines with the BI system to form an “online restaurant auditing” system, enabling timely and accurate identification of abnormal events while reducing the need for manual monitoring and costs. In addition, smart kitchen equipment such as stir-fry robots and temperature-controlled deep fryers have been implemented in some restaurants.



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5.4 Respecting Intellectual Property Rights

The Group respects and protects intellectual property rights, including the brands and services, trade secrets, and other intellectual property and licensing-related trademarks, trademark applications, domain name registrations, copyright registrations, patents, and patent applications that we rely on.

We have established multiple internal control systems, such as the Intangible Asset Management System (《無形資產管理制度》) and Case Management System (《案件管理制度》), which stipulate the establishment of a Trademark and Patent Ledger (《商標專利台賬》) our Legal Department for all existing trademarks and patents. It records and updates information on trademarks and patents promptly to identify and monitor our intellectual property risks in a timely manner. In addition, for registered intellectual property, we have engaged external third-party patent agencies and our internal legal experts to jointly monitor and supervise any infringement of intellectual property rights. If risks arise, the Legal Department will follow up with external lawyers and file litigation with the court or take other appropriate measures based on the Case Management System.

5.5 Responsible Marketing

The Group attaches great importance to consumer rights and is committed to conveying product information correctly. When conveying product information, the Group complies with national laws and regulations. We conduct a review of the legality and authenticity of promotional activities before their formal launch to ensure the truthfulness and accuracy of marketing.



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5.6 Consumer Satisfaction

Xiaocaiyuan highly values consumer satisfaction and has implemented a series of standardized workflows and service norms, including the development of standard operating procedures (SOPs) for various positions in restaurants, covering front-end services, morning meetings, cleanliness, back-end preparation, table setup, and other internal matters. It also includes consumer service aspects such as recommended dishes and service etiquette to ensure a comfortable dining experience for consumers.

We value consumer feedback and use it as a basis for improving our work. We have implemented the Consumer Complaint Handling System 《消費者投訴處理制度》, which provides various channels for consumers to lodge complaints and provide feedback, including displaying a service hotline in the restaurant, online platform reviews, and comments or direct messages on social media platforms. Upon receiving inquiries or complaints from consumers, we conduct investigations immediately and assign tasks accordingly. Restaurant managers are responsible for resolving complaints related to dish quality and service at the level of online delivery platforms and restaurants, and they promptly take remedial measures. The Operations Department handles feedback received through the service hotline and social media platforms. We have provided training on the process and methods for handling complaints to our employees, including detailed record-keeping of complaint information, organizing investigations and follow-ups by relevant departments or restaurants based on the nature of the complaint, and performing hierarchical handling based on the severity of the complaint. We promptly report to the management team to ensure a quick response to consumer demands and take necessary remedial measures.

Additionally, we have developed a Customer Satisfaction Survey 《客戶滿意度調查表》 that uses five dimensions, including product quality, timely delivery, complaint handling, communication cooperation, and price evaluation, to assess consumer satisfaction. We conduct comparative evaluations of customer satisfaction with peers and make timely follow-up visits and improvements based on the feedback.



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6. EMPOWERING THE TALENT TEAM

6.1 Compliance in Employment

The Group regards employees as important pillars and valuable assets for the development of the Group. We strictly adhere to laws and regulations such as the Labor Contract Law of the People's Republic of China 《中華人民共和國勞動法》, the Labor Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, and the Company Law of the People's Republic of China 《中華人民共和國公司法》. Internally, we implement the Human Resources Management System 《人力資源管理制度》, which clearly defines the management requirements and procedures for talent recruitment, training, assessment, and incentives. When recruiting qualified and suitable talents, we adhere to the principles of equal opportunity, fairness, and open recruitment. We focus on evaluating applicants' work experience, professional skills, and job fit, rather than considering their religious beliefs, age, gender, sexual orientation, nationality, or marital status, to prevent any form of unfair discrimination. We actively strive to create an inclusive and fair working environment and promote diversity within our workforce. Our Employee Handbook 《僱員手冊》 provides clear descriptions of practices related to employee remuneration and termination, recruitment and promotion, working hours, leave and employee performance rewards and punishments. As of December 31, 2024, the Group employed a total of 15,912 people. The following table provides detailed information on employee employment in 2024:

Indicator	Number of employees
Total number of employees	15,912
Employees by Gender	
Female	8,875
Male	7,037
Employees by Employment Category	
Full Time	12,034
Part Time	3,878
Employees by Function	
Restaurant Staff	14,886
Management and Administration	346
Supply Chain	588
Central Kitchen Staff	92
Employees by Age	
Below 30	7,014
30-50 years old	4,865
Over 50	4,033
Employees by Region	
China	15,912
Overseas	0



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During the signing of labor contracts, we require employees to provide identification documents to verify their real age and prevent the use of child labor. If such cases are discovered, we will terminate the labor contracts and transfer the cases to the relevant judicial authorities for handling. To prevent forced labor, we encourage employees to complete their work within regular working hours. During the Year, the Group did not employ child labor or engage in forced labor practices.

We respect employees' decisions to leave the company. When we receive a resignation request, we conduct interviews with the employees to understand their reasons for leaving and assist them in completing the necessary procedures for departure and ensuring a smooth handover of work.

6.2 Employee Remuneration and Benefits

We provide competitive compensation packages for employees of different job levels. We have long practiced a scientifically sound, effective, and comprehensive incentive mechanism, striving to become a benchmark for incentive models in the Chinese catering industry. This greatly inspires the enthusiasm and dedication of our employees.

- **Equity Incentives:** We provide equity incentives to headquarters management personnel, regional management personnel, and key employees, considering factors such as their abilities, performance, years of service, and the importance of their positions. We distribute a corresponding proportion of equity as a share with employees in the company's development.
- **Remuneration Incentives:** We have established a remuneration mechanism that includes a basic salary and multi-tier performance-based salary for all employees, including grassroots employees at the restaurant level. The performance-based salary is linked to work performance and the performance of the restaurant/department. This effectively motivates employees' work enthusiasm.
- **Growth Incentives:** We place great importance on succession planning and development of talents in key grassroots positions such as regional managers, restaurant managers, and head chefs. We implement a mentorship system internally and provide performance incentives.

In order to further attract and retain talent and share the achievements of the Group's development with employees, we provide employees with necessary tools and items for work, such as work uniforms and slip-resistant shoes. We also arrange social insurance and employer liability insurance for employees, helping them solve potential concerns. Additionally, we provide free meals and employee dormitories. On employees' birthdays or major holidays, we provide birthday vouchers and abundant festival benefits. We offer employees benefits such as wedding leave, bereavement leave, festival benefits, and other support for their work and personal lives.



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6.3 Employee Promotion and Training

The Group places great importance on employee training and development, aiming to cultivate responsible individuals who deeply understand our core values. This promotes continuous progress and development of the Group, ultimately realizing our vision of “helping more employees achieve their dreams” through the platform provided by the Group.

In terms of restaurant operations, we provide promotion opportunities for outstanding employees who have the ability to become key employees. Based on their performance in daily work, we select and train restaurant managers and head chefs from our pool of excellent staff. When expanding restaurants in the future, we prioritize promotion from within these key employees, allowing them to fully utilize their management and operational capabilities and facilitate their growth within our organization.

In terms of employee training, we hold training courses every month for newly promoted restaurant managers, head chefs, and other outstanding employees. We invite management to deliver lectures on corporate values and career development, and invite outstanding employees to share their work experience. This enhances employees’ identification and sense of belonging to the Group, as well as their operational and management capabilities.

During the Year, the Group provided training to 51,130 individuals. In the future, we will gradually improve the training and development system to enhance employees’ working capabilities and maintain the company’s long-term competitiveness through their training and development.

6.4 Occupational Health and Safety

We have established a series of safety guidelines and procedures that cover occupational health, fire safety, and production safety-related emergency measures and preventive processes. These measures ensure compliance with laws and regulations such as the Food Safety Law of the People’s Republic of China 《中華人民共和國食品安全法》, the Measures for the Administration of Food Business Licenses 《食品經營許可管理辦法》, the Regulations on the Implementation of Food Safety Responsibilities by Enterprises 《企業落實食品安全主體責任監督管理規定》, and the Measures for the Supervision and Inspection of Food Production and Business Operations 《食品生產經營監督檢查管理辦法》, effectively safeguarding the occupational health and safety of employees during the production process.



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We have implemented multiple measures to further protect employees from occupational diseases and work-related injuries. According to the requirements of the Basic Management Category Hazard Inspection Checklist 《基礎管理類隱患排查清單》, we establish safety facilities and occupational disease prevention facilities in construction projects. We conduct regular inspections and assessments to identify and report occupational disease hazards. We are committed to protecting employee safety, preventing occupational hazards, and providing work-related injury insurance coverage in labor contracts. Employees are required to undergo physical examinations and obtain health certificates before starting employment, and restaurant staff are required to receive annual physical examination and necessary interim checks. Food safety administrators and department managers are required to be aware of the health conditions of employees and conduct regular checks of their health certificates. In terms of fire safety, we regularly conduct fire training and drills, and place fire extinguishers in visible and easily accessible locations to facilitate safe evacuation. Fire equipment undergoes regular inspections to ensure proper functioning, and strict adherence to safety procedures is enforced. We also conduct daily inspections of production equipment, and flammable and explosive hazardous materials used in restaurants are stored separately and supervised by dedicated personnel. Distribution boxes, switch cabinets, and electrical equipment undergo regular inspections and maintenance to ensure electrical safety. During the Reporting Period, the Group did not receive any lawsuits related to violations of health and safety laws.

7. LOW CARBON OPERATIONS

We strictly adhere to environmental protection laws and regulations in China, including Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, Environmental Impact Assessment Law of the People's Republic of China 《中華人民共和國環境影響評價法》 and Law of the People's Republic of China on Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》. To achieve this goal, we have established comprehensive environmental protection management systems for our restaurants and offices. These systems are designed to effectively manage energy consumption, waste management practices, and water usage throughout our entire operation process.

We make every effort to minimize our impact on the environment. Our environmental targets are as follows:

Energy consumption	By 2028, we plan to reduce energy intensity by 2% compared to the 2023 baseline.
	By 2033, energy intensity will be reduced by 5% compared to the 2023 baseline.
Water consumption	By 2028, we plan to reduce water intensity by 1% compared to the 2023 baseline.
	By 2033, water intensity will be reduced by 2% compared to the 2023 baseline.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7.1 Energy and Emissions Management

We are committed to minimizing pollutant emissions and our impact on the environment. We follow local laws and regulations, including the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》). To achieve our goals, we implement various measures in our operations to continuously improve energy efficiency and reduce energy consumption and pollution emissions.

Energy-saving Measures

Office area: We encourage employees to make full use of natural light to reduce the use of lighting equipment. Additionally, we urge everyone to turn off lights and disconnect power to devices when leaving the office. For office equipment such as computers, printers, and copiers, we prompt employees to shut them down when not in use or set them to automatic sleep mode to reduce standby power consumption.

Air conditioning management: To save energy, we set reasonable temperatures for the office area's air conditioning, restricting the temperature range or setting a standard office temperature. We flexibly adjust electricity usage according to weather changes, ensuring that air conditioning is not used when there are no persons in the area.

Selection of gas equipment: We prioritize the use of high-efficiency and energy-saving gas equipment and gas supply products.

Maintenance of gas appliances: We regularly maintain and clean gas appliances to ensure their optimal performance and improve thermal efficiency.

During the Year, our total electricity consumption was 97,782,334.0 kilowatt-hours.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Vehicle Management and Low-carbon Travel

Standardized use of company vehicles: We strictly adhere to the management system for the use of company vehicles and promote carpooling in collective activities. For activities near the office, we encourage employees to walk or ride bicycles, which not only enhances their health awareness but also reduces carbon emissions.

Fuel management for vehicles: We have strengthened the rational dispatch of vehicles and promoted low-energy-consumption driving, as well as choosing efficient and energy-saving transportation methods. Additionally, we actively promote the “135” travel mode, which means walking for distances within 1 kilometer, cycling for distances within 3 kilometers, and taking public transportation for distances of approximately 5 kilometers. We advocate for all employees to choose green and low-carbon travel options.

Reducing Greenhouse Gas Emissions

The Group complies with local laws and regulations, including the Environmental Protection Law of the People’s Republic of China 《中華人民共和國環境保護法》. As for greenhouse gas emissions, direct greenhouse gas emissions (Scope 1) primarily come from the fuel consumption of fixed equipment owned or controlled by the Group. During the Year, indirect greenhouse gas emissions (Scope 2) were derived from our fuel consumption related to electricity usage in operations. In the Reporting Period, an overview of the Group’s greenhouse gas emissions is as follows:

Summary of greenhouse gas emissions	Unit	Year 2024
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	44,226.1
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	52,470.0
Total greenhouse gas emissions (Scope 1 and Scope 2)	tCO ₂ e	96,696.1
Greenhouse gas emissions per RMB million of revenue (Scope 1 and Scope 2)	tCO ₂ e per RMB million of revenue	18.6

To achieve our environmental goals, we advocate for online meetings to replace business travel meetings to reduce unnecessary carbon emissions. We also encourage employees to conserve energy and protect the environment. Meanwhile, our restaurants are also mitigating greenhouse gas emissions from total operational electricity consumption through energy-saving renovation projects.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7.2 Water Management

The Group complies with local laws and regulations, including the Water Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國水污染防治法》), for wastewater management. Our water supply comes from the municipal water supply network, and there are no issues concerning the access to applicable water sources. To effectively conserve water resources, we have implemented various water-saving measures and strictly enforced them in our daily operations. Firstly, we have installed conspicuous water-saving signs in public areas, such as in restaurants and restrooms, actively promoting water-saving consciousness and reminding employees to develop good water-saving habits. We strengthen the daily maintenance and management of water equipment to prevent water leakage and unnecessary flow, control water usage, and ensure proper closure of faucets, among other measures. We use water-saving devices and plan to incorporate water-saving facilities in restaurant layouts. We will continuously optimize these measures and improve our water management practices.

During the Year, our water consumption was 2,149,120.4 tons.

7.3 Waste Management

We always comply with local laws and regulations, including the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) for waste disposal, and manage waste through classification. We are committed to reducing waste through specific measures, including implementing an internal policy called Anti-Food Waste Policy (《反廚餘垃圾政策》) aimed at reducing waste by optimizing catering processes, providing appropriate smaller portion options, and enhancing employee training to raise their awareness of waste reduction. We actively monitor and improve waste management practices to achieve the best environmental outcomes in our operations.

Hazardous waste will be strictly handled in accordance with the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and entrusted to qualified third parties for disposal. We hire professionals responsible for the safe collection and transportation of waste cooking oil, strictly forbidding its reuse in food processing or mixing with kitchen wastes. Next, we follow specific location-specific requirements for safe and environmentally sound disposal techniques for construction waste and household waste. We conduct regular clearances and proper storage in designated areas. We also collaborate with qualified professional organizations to ensure proper collection and transportation of kitchen wastes. The staff in our restaurants classify kitchen wastes and place them in designated containers for further processing.

We strictly adhere to relevant laws and regulations and implement management measures under the Waste Cooking Oil Management System (《廢棄食用油脂管理制度》). We have installed oil-water separators that comply with national standards in all locations generating waste cooking oil to effectively separate and collect the waste oil, reducing its impact on the environment. Additionally, we have equipped dedicated collection containers with clear markings specifically for storing waste oil generated during the frying process, ensuring clear classification and avoiding contamination.



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7.4 Packaging Material Management

Regarding packaging materials, we strictly comply with relevant laws and regulations in the operational area. Measures we implement include:

- Advocating for simplified packaging design and reducing the number of layers and dimensions of packaging;
- Implementing our internal Packaging Material Policy to regulate the selection and use of packaging materials, advocating for simplified packaging design, and avoiding excessive use of packaging materials;
- Providing options for takeaway customers to choose whether to include cutlery and whether to use their own containers;
- We use recyclable polyamide and polyethylene materials that comply with national packaging standards to make our sachets, ensuring they do not contain harmful substances such as benzene and meet environmental requirements. Additionally, we use biodegradable cardboard materials for outer packaging, further supporting environmentally friendly waste management.

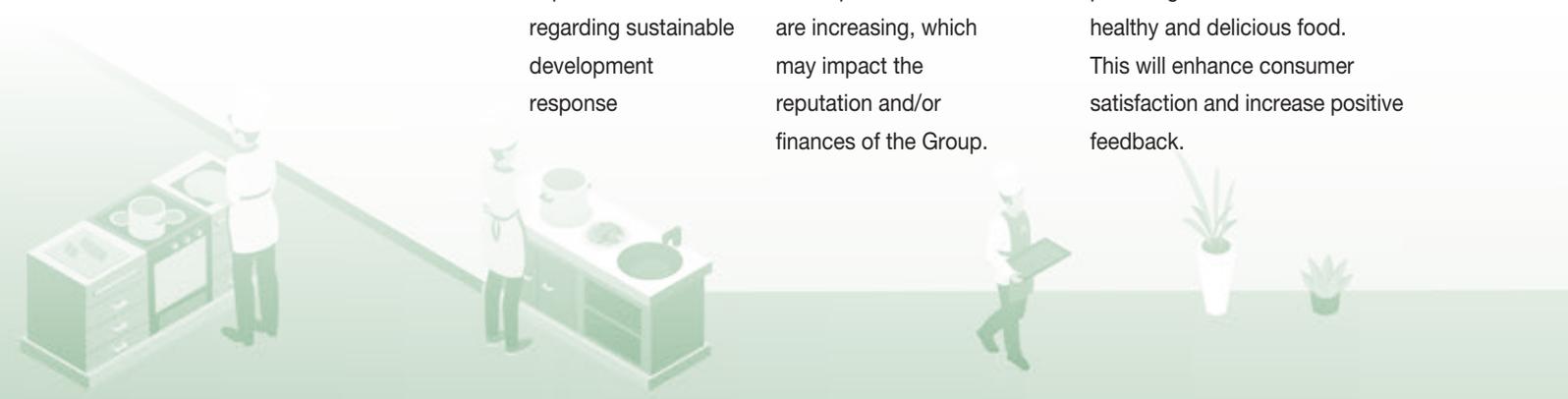
7.5 Addressing Climate Change

In response to the national carbon neutrality targets, we actively enhance the climate resilience of our business to address the far-reaching and widespread impacts of climate change on our operational patterns. We are deeply aware of the significance of climate change to the catering industry. In order to assess and manage climate risks more systematically, we have referred to the Guidance on Climate Disclosures 《气候信息披露指引》 issued by the Stock Exchange to conduct a comprehensive and in-depth analysis of potential climate risks. During the Year, we further assess physical and transition climate risks and review our existing climate risk mitigation measures to ensure their effectiveness in addressing the challenges brought about by climate change. In the future, we will continue to monitor the impact of climate change on the catering industry and continuously update and improve our response measures, contributing our efforts to achieve national dual carbon goals.



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Climate Risks	Risk Description	Potential impact	Corresponding Mitigation Measures
Physical Risks	Extreme weather events (including floods, heatwaves, and typhoons)	Extreme weather events have some impact on local restaurant foot traffic, delivery services, and food supply, but have a minimal overall impact on the Group's operations.	<ul style="list-style-type: none"> Develop an Emergency Preparedness and Response Control Plan 《突發事件準備和響應控制方案》 outlining preventive and responsive actions for extreme weather events. Closely monitor weather forecasts and communicate timely with relevant departments to take preventive actions.
Transition Risks	Policy and Legal Risks – Increased carbon emissions disclosure requirements	Increased compliance costs	<ul style="list-style-type: none"> Regularly monitor existing and emerging trends and policies related to climate issues. Regular meetings with ESG advisors to stay informed about the latest ESG developments and take appropriate actions.
	Market Risks – Increased energy costs	Increased energy costs affect the Group's revenue.	<ul style="list-style-type: none"> Establish an energy management team to manage carbon emissions, promote green commuting among employees, and encourage online meetings instead of unnecessary business travel to reduce carbon emissions. Encourage employees to practice energy conservation and environmental protection. Implement environmental measures in restaurants to reduce electricity and water consumption in business operations.
	Reputation Risks – Stakeholder expectations regarding sustainable development response	Stakeholders' expectations for sustainable development outcomes are increasing, which may impact the reputation and/or finances of the Group.	<ul style="list-style-type: none"> Strengthen corporate governance and continue providing consumers with healthy and delicious food. This will enhance consumer satisfaction and increase positive feedback.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

8. FULFILLMENT OF SOCIAL RESPONSIBILITIES

We always consider giving back to society as a core responsibility of being a corporate citizen. For the year ended December 31, 2024, the donation expenditure of the Group was approximately RMB20,000. For social responsibility, we have donated a total of RMB5.13 million (charitable donations). We are committed to promoting the development of philanthropy and mobilizing social forces through tangible actions to create a harmonious and mutually supportive social atmosphere.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

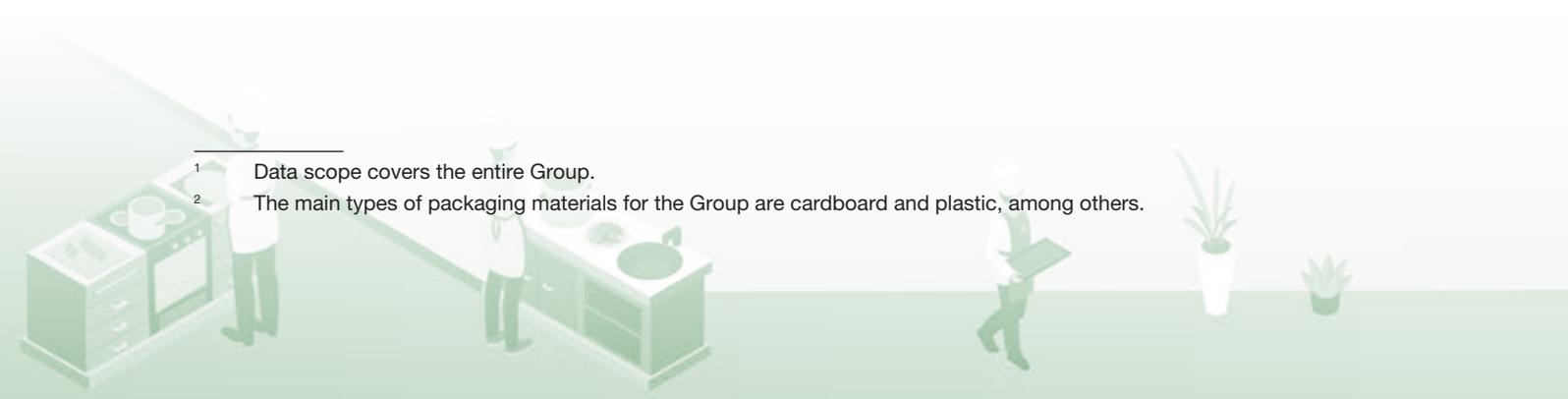
APPENDIX 1: SUMMARY OF SUSTAINABLE DEVELOPMENT DATA

The following is a summary of sustainable development information in the environmental scope for the Year:

Environment Category ¹	Unit	2024
Greenhouse Gas Emissions		
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	44,226.1
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	52,470.0
Total greenhouse gas emissions (Scope 1 and Scope 2)	tCO ₂ e	96,696.1
Greenhouse gas emissions per RMB million of revenue (Scope 1 and 2)	tCO ₂ e per RMB million of revenue	18.6
Energy Consumption		
Natural gas consumption	Cubic Meters	20,318,153.4
Purchased electricity consumption	kWh	97,782,334.0
Purchased electricity consumption of RMB million of revenue	Kilowatt-hour per RMB million of revenue	18,768.7
Water Consumption		
Total water consumption	Ton	2,149,120.4
Water consumption per RMB million of revenue	Ton per RMB million of revenue	412.5
Packaging Material Usage²		
Packaging material usage volume	Ton	4,432.7
Packaging material usage density per RMB million of operating revenue.	Ton per RMB million of revenue	0.9

¹ Data scope covers the entire Group.

² The main types of packaging materials for the Group are cardboard and plastic, among others.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following is a summary of the Group's sustainability development information in the social scope for the Year:

Social Category	Unit	2024
Employee Count³		
Total number of employees	Number of employees	15,912
Employees by Gender		
Female	Number of employees	8,875
Male	Number of employees	7,037
Employee count by employment type		
Full Time	Number of employees	12,034
Part Time	Number of employees	3,878
Employees by Function		
Restaurant Staff	Number of employees	14,886
Management and Administration	Number of employees	346
Supply Chain	Number of employees	588
Central Kitchen Staff	Number of employees	92
Employee count by age group		
Below 30	Number of employees	7,014
30-50 years old	Number of employees	4,865
Over 50	Number of employees	4,033
Employees by Region⁴		
China	Number of employees	15,912
Overseas	Number of employees	0
Employee turnover rate⁵		
Total employee turnover rate	%	205.3

³ Employee-related data covers the entire Group and represents the number of employees as of December 31 of the Year.

⁴ Disclosure scope is based on the geographic location of employees' job positions.

⁵ Employee turnover rate = number of lost employees / Year-end number of employees × 100%



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social Category	Unit	2024
Employee turnover rate by gender		
Female	%	219.6
Male	%	193.9
Employee turnover rate by age group		
Below 30	%	273.1
30-50 years old	%	145.1
Over 50	%	161.2
Employee turnover rate by region		
China	%	205.3
Overseas	%	0
Occupational health and safety		
Number of work-related fatalities (2022)	Number of employees	0
Number of work-related fatalities (2023)	Number of employees	1
Number of work-related fatalities (2024)	Number of employees	0
Work-related fatalities rate (2022)	%	0
Work-related fatalities rate (2023)	%	0.00008
Work-related fatalities rate (2024)	%	0
Lost days due to work injury	Days	5,275



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX 2: ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX OF HONG KONG STOCK EXCHANGE

Indicator		Relevant Chapters	
A. Environmental			
A1: Emissions	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7. Low-carbon Operations
	A1.1	The types of emissions and respective emissions data.	Gas emissions are not a significant aspect of our operations, so A1.1 is not applicable
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 1: Summary of Sustainable Development Data
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Due to the nature of the catering business, we do not generate hazardous waste in our operations, so A1.3 is not applicable
	A1.4	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Due to incomplete data collection on waste in the Year, we will optimize the data collection system in the coming year
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	7. Low-carbon Operations We need to collect several years of environmental data and set emission targets based on our business conditions.
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7. Low-carbon Operations – 7.3 Waste Management We will establish relevant targets after optimizing the scope of waste data collection



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator			Relevant Chapters
A2: Use of Resources	General Disclosures	Policies on the efficient use of resources, including energy, water and other raw materials.	7. Low-carbon Operations
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Appendix 1: Summary of Sustainable Development Data
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 1: Summary of Sustainable Development Data
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7. Low-carbon Operations – 7.1 Energy and Emissions Management
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7. Low-carbon Operations – 7.2 Water Resource Management
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Appendix 1: Summary of Sustainable Development Data
A3: Environment and Natural Resources	General Disclosures	Policies on minimising the issuer’s significant impacts on the environment and natural resources.	7. Low-carbon Operations
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7. Low-carbon Operations



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator		Relevant Chapters	
A4: Climate Change	General Disclosures	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7. Low-carbon Operations – 7.5 Climate Change Response
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7. Low-carbon Operations – 7.5 Climate Change Response
B. Social			
B1: Employment	General Disclosures	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6. Empowering the Talent Team
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix 1: Summary of Sustainable Development Data
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix 1: Summary of Sustainable Development Data
B2: Health and Safety	General Disclosures	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6. Empowering the Talent Team – 6.4 Occupational Health and Safety
	B2.1	Number and rate of work-related fatalities.	Appendix 1: Summary of Sustainable Development Data
	B2.2	Lost days due to work injury.	Appendix 1: Summary of Sustainable Development Data
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6. Empowering the Talent Team – 6.4 Occupational Health and Safety



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator			Relevant Chapters
B3: Development and Training	General Disclosures	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6. Empowering the Talent Team – 6.3 Employee Promotion and Training
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	No training data related to gender and employee category was collected in the Year. The data will be collected and disclosed next year.
	B3.2	The average training hours completed per employee by gender and employee category.	No training data related to gender and employee category was collected in the Year. The data will be collected and disclosed next year.
B4: Labor Standards	General Disclosures	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6. Empowering the Talent Team – 6.1 Compliance in Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6. Empowering the Talent Team – 6.1 Compliance in Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	6. Empowering the Talent Team – 6.1 Compliance in Employment



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator		Relevant Chapters	
B5: Supply Chain Management	General Disclosures	Policies on managing environmental and social risks of the supply chain.	4. Food Quality and Safety – 4.3 Sustainable Supply Chain
	B5.1	Number of suppliers by geographical region.	4. Food Quality and Safety – 4.3 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	4. Food Quality and Safety – 4.3 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4. Food Quality and Safety – 4.3 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4. Food Quality and Safety – 4.3 Supply Chain Management



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator			Relevant Chapters
B6: Product Responsibility	General Disclosures	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4. Food Quality and Safety
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group strictly complies with food safety-related laws and regulations, and no product and service recalls or incidents occurred due to food safety during the Reporting Period.
	B6.2	Number of products and service related complaints received and how they are dealt with.	5. Compliance and Sound Operations – 5.6 Consumer Satisfaction We will optimize the statistical methodology and disclose the data in the next year.
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	5. Compliance and Sound Operations – 5.4 Respect for Intellectual Property
	B6.4	Description of quality assurance process and recall procedures.	4. Food Quality and Safety – 4.1 Internal Quality Control 4.2 Food Safety and Hygiene Management
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5. Compliance and Sound Operations – 5.2 Protecting Information Security



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Indicator		Relevant Chapters	
B7: Anti- corruption	General Disclosures	Information on:(a) the policies; and(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5. Compliance and Sound Operations – 5.1 Upholding the Bottom Line of Integrity
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5. Compliance and Sound Operations – 5.1 Upholding the Bottom Line of Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	5. Compliance and Sound Operations – 5.1 Upholding the Bottom Line of Integrity
	B7.3	Description of anti-corruption training provided to directors and employees.	5. Compliance and Sound Operations – 5.1 Upholding the Bottom Line of Integrity
B8: Community Investment	General Disclosures	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Fulfilling Social Responsibilities
	B8.1	Focus areas of contribution.	8. Fulfilling Social Responsibilities
	B8.2	Resources contributed to the focus area.	8. Fulfilling Social Responsibilities



INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Xiaocaiyuan International Holding Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 97 to 172, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.



INDEPENDENT AUDITOR'S REPORT

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(s).

The Key Audit Matter

The Group is principally engaged in restaurant operations. For the year ended 31 December 2024, the Group recognised consolidated revenue amounting to RMB5,209,874,000.

Revenue comprises a high volume of individually low value transactions, which increases the risk of error in the recognition of revenue.

We identified the revenue recognition of restaurant operations as a key audit matter because the volume of transactions being processed give rise to a risk that revenue could be incorrectly recorded.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition;
- making inquiries of management and inspecting a sample of sales orders and related cash receipts, on a sample basis, to understand the sales terms and evaluate the appropriateness of revenue recognition, measurement and presentation with reference to the requirements of the prevailing accounting standards;
- comparing bank receipts to the Group's transaction records on a sample basis;
- obtaining confirmations from third-party online food delivery platforms and third-party payment service providers on the revenue on a sample basis; and
- inspecting journals entries relating to revenue which met specific risk-based criteria, enquiring of management about the reasons for such adjustments and comparing details of these journal entries with relevant underlying documentation.



INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

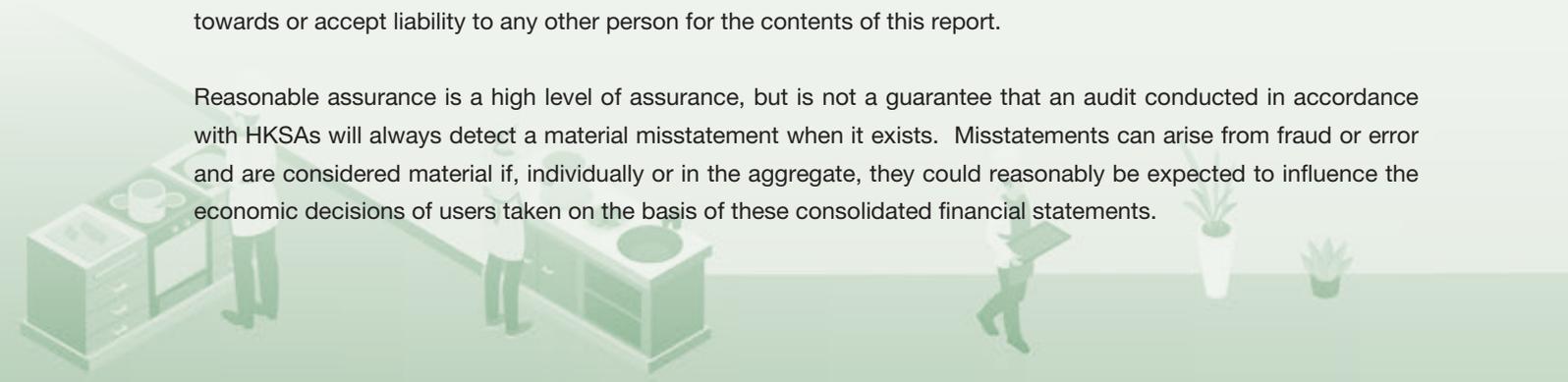
In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.



INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ting Yuen.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2025



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024 (Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Revenue	4	5,209,874	4,549,415
Other revenue	5	42,509	43,811
Raw materials and consumables used		(1,661,021)	(1,433,379)
Staff costs	6(b)	(1,421,596)	(1,334,181)
Depreciation of right-of-use assets		(256,474)	(196,270)
Other rentals and related expenses		(93,053)	(58,525)
Depreciation and amortisation of other assets		(175,536)	(133,947)
Utility expenses		(171,774)	(139,602)
Advertising and promotion expenses		(63,407)	(48,270)
Delivery service expenses		(354,814)	(257,886)
Other expenses	6(c)	(273,467)	(210,575)
Other net income/(losses)	6(d)	31,135	(4,918)
Finance costs	6(a)	(41,122)	(31,554)
Profit before taxation		771,254	744,119
Income tax	7(a)	(190,632)	(212,060)
Profit for the year		580,622	532,059
Attributable to:			
Equity shareholders of the Company		<u>580,622</u>	<u>532,059</u>
Earnings per share	10		
Basic		<u>0.56</u>	<u>0.53</u>
Diluted		<u>0.56</u>	<u>0.53</u>

The notes on pages 105 to 172 form part of these financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024 (Expressed in Renminbi)

	2024 RMB'000	2023 RMB'000
Profit for the year	<u>580,622</u>	<u>532,059</u>
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Exchange differences on translation of financial statements of the Company	6,005	613
Item that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(1,210)</u>	<u>(1,796)</u>
Other comprehensive income for the year	<u>4,795</u>	<u>(1,183)</u>
Total comprehensive income for the year	<u>585,417</u>	<u>530,876</u>
Attributable to:		
Equity shareholders of the Company	<u>585,417</u>	<u>530,876</u>
Total comprehensive income for the year	<u>585,417</u>	<u>530,876</u>

The notes on pages 105 to 172 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(Expressed in Renminbi)*

	Note	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	11	699,251	583,120
Right-of-use assets	12	788,591	694,092
Intangible assets	13	2,512	2,912
Deferred tax assets	24(b)	16,401	–
Rental deposits		41,419	39,765
		<u>1,548,174</u>	<u>1,319,889</u>
Current assets			
Inventories	15	109,566	104,898
Trade and other receivables	16	301,863	270,137
Financial assets at fair value through profit or loss (“FVPL”)	17	788,280	–
Restricted bank deposits	18	–	25,000
Time deposits	18	223,356	–
Cash and cash equivalents	18	616,661	620,153
		<u>2,039,726</u>	<u>1,020,188</u>
Current liabilities			
Bank loans and other borrowings	19	–	50,000
Trade and other payables	20	228,500	280,477
Contract liabilities	21	77,334	67,860
Lease liabilities	22	223,830	192,171
Current taxation	24(a)	77,024	70,526
		<u>606,688</u>	<u>661,034</u>
Net current assets		<u>1,433,038</u>	<u>359,154</u>
Total assets less current liabilities		<u>2,981,212</u>	<u>1,679,043</u>

The notes on pages 105 to 172 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION*(Expressed in Renminbi)*

	Note	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current liabilities			
Lease liabilities	22	586,641	518,960
Provisions	23	29,156	24,962
Deferred tax liabilities	24(b)	–	10,137
Redemption liability	25	–	413,242
Derivative financial instruments	25	–	88,650
		<u>615,797</u>	<u>1,055,951</u>
Net assets		<u>2,365,415</u>	<u>623,092</u>
Capital and reserves			
Share capital	26(c)	77	64
Reserves		<u>2,365,338</u>	<u>623,028</u>
Total equity		<u>2,365,415</u>	<u>623,092</u>

Approved and authorised for issue by the board of directors on 26 March 2025.

)	
)	
Wang Shugao)	
)	Directors
)	
Li Daoqing)	
)	
)	

The notes on pages 105 to 172 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 (Expressed in Renminbi)

		Share capital	Share premium	Other reserve	Share- based payments reserve	Exchange reserve	Statutory surplus reserve	Retained profits	Total
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		322	-	-	231,307	27	34,298	58,936	324,890
Changes in equity for 2023:									
Profit for the year		-	-	-	-	-	-	532,059	532,059
Other comprehensive income		-	-	-	-	(1,183)	-	-	(1,183)
Total comprehensive income		-	-	-	-	(1,183)	-	532,059	530,876
Appropriation to statutory reserve	26(d)(iii)	-	-	-	-	-	25,219	(25,219)	-
Dividends declared	26(b)	-	-	-	-	-	-	(135,276)	(135,276)
Financial instruments issued to an investor	26(d)(iv)	-	-	(97,140)	-	-	-	-	(97,140)
Repurchase of shares	26(c)	(258)	-	-	-	-	-	-	(258)
Balance at 31 December 2023		64	-	(97,140)	231,307	(1,156)	59,517	430,500	623,092

The notes on pages 105 to 172 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 (Expressed in Renminbi)

	Note	Share	Share	Other	Share-	Exchange	Statutory	Retained	Total
		capital	premium	reserve	payments	reserve	surplus	profits	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2024		64	-	(97,140)	231,307	(1,156)	59,517	430,500	623,092
Changes in equity for 2024:									
Profit for the year		-	-	-	-	-	-	580,622	580,622
Other comprehensive income		-	-	-	-	4,795	-	-	4,795
Total comprehensive income		-	-	-	-	4,795	-	580,622	585,417
Appropriation to statutory reserve	26(d)(iii)	-	-	-	-	-	9,838	(9,838)	-
Dividends declared	26(b)	-	-	-	-	-	-	(187,500)	(187,500)
Financial instruments issued to an investor	26(d)(iv)	-	-	(24,486)	-	-	-	-	(24,486)
Conversion of convertible preferred shares into ordinary shares	26(c)(iv)	6	470,681	121,626	-	-	-	-	592,313
Shares issued upon the completion of initial public offering	26(c)(iii)	7	776,572	-	-	-	-	-	776,579
Balance at 31 December 2024		77	1,247,253	-	231,307	3,639	69,355	813,784	2,365,415

The notes on pages 105 to 172 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024 (Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Operating activities			
Cash generated from operations	18(b)	1,113,526	1,044,939
Income tax paid	24	(210,672)	(178,600)
Net cash generated from operating activities		902,854	866,339
Investing activities			
Payment for the purchase of property, plant and equipment		(317,927)	(309,160)
Payment for the purchase of intangible assets		(793)	(1,358)
(Payment for purchase)/proceeds from disposal of financial assets measured at FVPL, net		(786,918)	5,000
Investment income received		4,191	2,556
Payment for provisions		-	(59)
Increase in time deposits		(223,356)	-
Interest income received		22,514	7,286
Net cash used in investing activities		(1,302,289)	(295,735)

The notes on pages 105 to 172 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024 (Expressed in Renminbi)

	Note	2024 RMB'000	2023 RMB'000
Financing activities			
Proceeds from bank loans and other borrowings	18(c)	–	50,000
Repayment from bank loans and other borrowings	18(c)	(50,000)	(113,438)
Proceeds from the financial instruments issued to an investor	18(c)	100,000	400,000
Payment of the redemption liability	18(c)	(3,149)	–
Payment of capital element of lease liabilities	18(c)	(225,718)	(172,068)
Payment of interest element of lease liabilities	18(c)	(39,204)	(28,218)
Interest expenses of bank loans paid	18(c)	(470)	(2,299)
Placements of restricted bank deposits	18(c)	–	(30,200)
Withdrawal of restricted bank deposits		25,000	18,200
Dividends paid	18(c)	(187,500)	(135,276)
Proceeds from issue of ordinary shares by initial public offering, net of issuance costs		779,623	–
Payment of listing expenses		(2,211)	(833)
Net cash generated from/(used) in financing activities		396,371	(14,132)
Net increase in cash and cash equivalents		(3,064)	556,472
Cash and cash equivalents at 1 January	18(a)	620,153	63,001
Effect of foreign exchange rate changes		(428)	680
Cash and cash equivalents at 31 December	18(a)	616,661	620,153

The notes on pages 105 to 172 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in restaurant operations, catering delivery services and supply chain management in the People’s Republic of China. The information of the principal subsidiaries is set out in Note 14.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”) on 20 December 2024.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual IFRS Accounting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its subsidiaries.

Items included in these consolidated financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (“functional currency”). The functional currency of the Company is United States dollars (“USD”). The consolidated financial statements are presented in RMB, rounded to nearest thousands, which is the presentation currency.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

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

- Other investments in securities (see Note 2 (e)); and
- Financial instruments issued to an investor (see Note 2 (w))

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

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

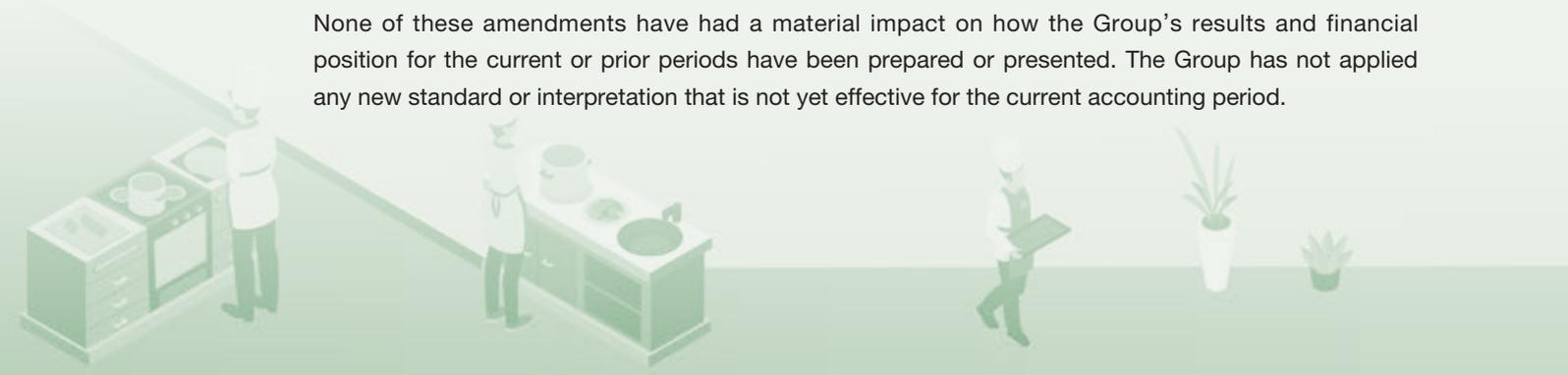
Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* (“2020 amendments”) and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants* (“2022 amendments”)
- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

None of these amendments have had a material impact on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(e) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(e) Other investments in securities (Continued)

Non-equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(s)(iii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- fair value through other comprehensive income (FVOCI) - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(f) Property, plant and equipment

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

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

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

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

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

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

No depreciation is provided in respect of construction in progress.

(g) Intangible assets

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(g) Intangible assets (Continued)

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

- Software	3 – 5 years
- Trademarks	10 years

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

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

Both the period and method of amortization are reviewed annually.

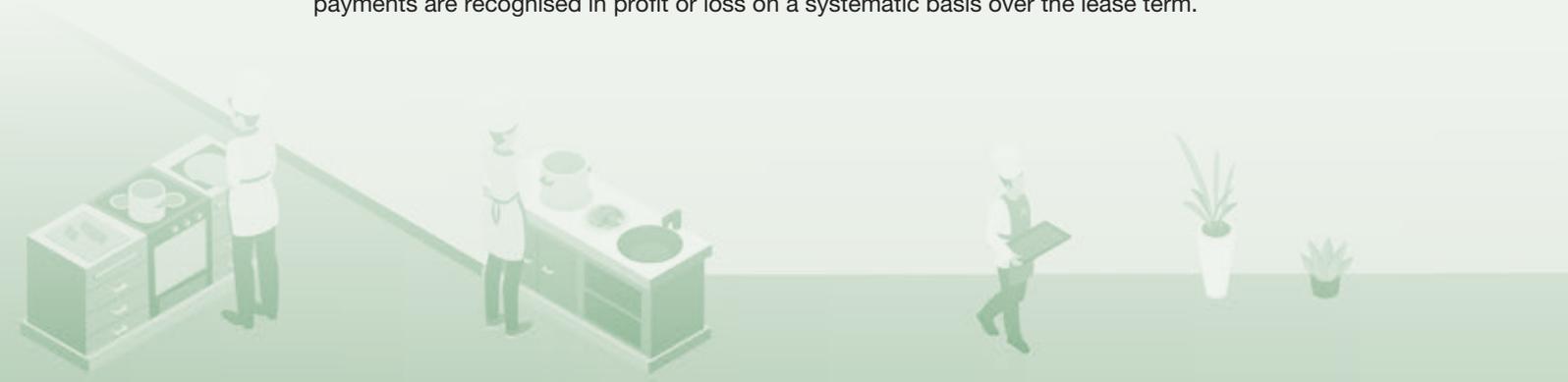
(h) Leased assets

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

As a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

As a lessee (Continued)

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

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

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

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

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

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

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

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

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

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

Credit-impaired financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

Credit-impaired financial assets (Continued)

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 30 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

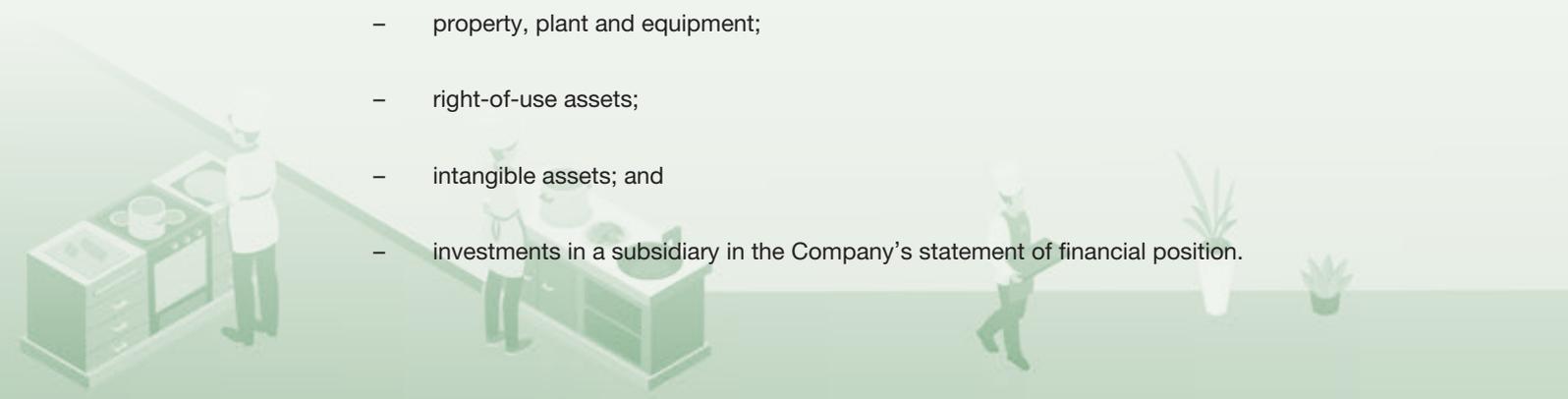
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash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

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

(ii) Impairment of other non-current assets

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

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

(ii) Impairment of other non-current assets (Continued)

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(j) Inventories

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

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

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

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

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

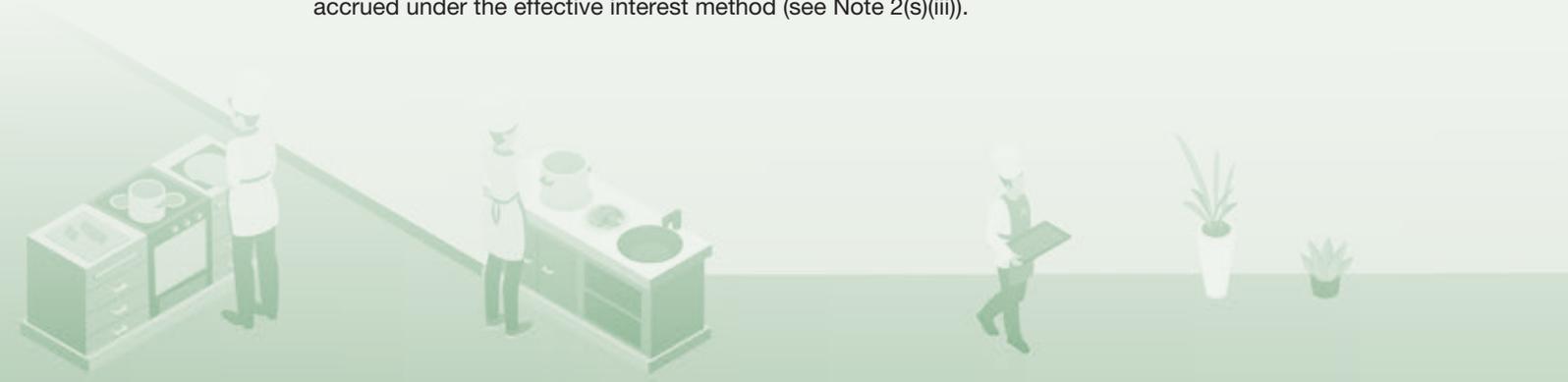
The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized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

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(s)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(i)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(l)).

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(i)(i)).

(m) Cash and cash equivalents

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

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(u).

(p) Employee benefits

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(p) Employee benefits (Continued)

(ii) Share-based payments

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

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

(iii) Termination benefits

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

(q) Income tax

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(r) Provisions and contingent liabilities

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

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

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

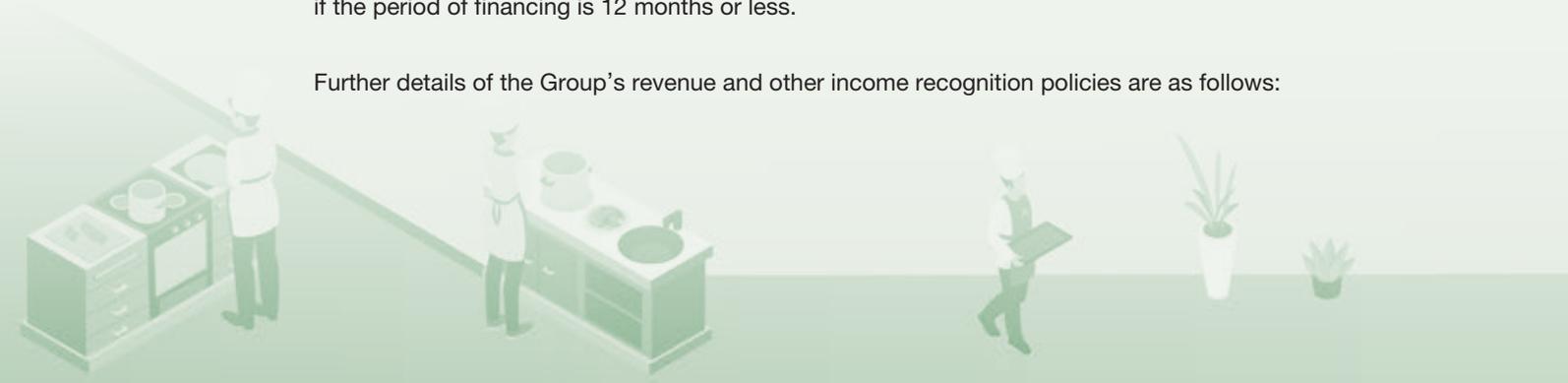
(s) Revenue and other income

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(s) Revenue and other income (Continued)

(i) Revenue from contracts with customers

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

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

(ii) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(iii) Interest income

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

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(t) Translation of foreign currencies

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

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

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

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

(u) Borrowing costs

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

(v) Related parties

- (i) A person, or a close member of that person's family, is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group; or
 - (c) is a member of the key management personnel of the Group or the Group's parent.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(v) Related parties (Continued)

- (ii) An entity is related to the Group if any of the following conditions applies:
- (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (f) The entity is controlled or jointly controlled by a person identified in Note 2(v)(i).
 - (g) A person identified in Note 2(v)(i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(w) Financial instruments issued to an investor

(i) Convertible bonds

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES (Continued)

(w) Financial instruments issued to an investor (Continued)

(ii) Derivative financial instruments

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

(iii) Redemption liability

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

(x) Segment reporting

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(i) Recognition of deferred tax assets

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

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

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

(iii) Provision for restoration costs

As explained in Note 23, the Group makes provision for restoration costs based on the best estimate of the expected costs to be incurred upon expiry of the respective tenancy agreements, which are subject to uncertainty and might differ from the actual costs incurred. Any increase or decrease in the provision would affect profit or loss in future periods.

(iv) Depreciation and amortization

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

(i) Disaggregation of revenue

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

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Restaurant operations	3,191,554	3,051,094
– Delivery business	2,004,766	1,491,354
– Others	13,554	6,967
	<u>5,209,874</u>	<u>4,549,415</u>
Disaggregated by timing of revenue recognition		
– Point in time	<u>5,209,874</u>	<u>4,549,415</u>

No revenue from individual customer contributed over 10% of total revenue of the Group for the year ended 31 December 2024 and 2023.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

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

5 OTHER REVENUE

	2024 RMB'000	2023 RMB'000
Other revenue		
Interest income on:		
– bank deposits	22,514	7,286
– rental deposits	2,109	1,736
	<u>24,623</u>	<u>9,022</u>
Investment income on wealth management products	4,191	2,556
Government grants (Note (i))	13,695	32,233
	<u>42,509</u>	<u>43,811</u>

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2024 RMB'000	2023 RMB'000
Interest on bank loans	470	2,299
Interest on lease liabilities	39,204	28,218
Interest on provisions	1,448	1,037
	<u>41,122</u>	<u>31,554</u>

(b) Staff costs

	2024 RMB'000	2023 RMB'000
Salaries, wages and other benefits	1,387,954	1,303,795
Contributions to defined contribution retirement plan (i)	33,642	30,386
	<u>1,421,596</u>	<u>1,334,181</u>

Note:

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION (Continued)

(c) Other expenses

	2024 RMB'000	2023 RMB'000
Property management expenses	132,316	104,768
Transportation and related expenses	31,308	25,563
Administrative expenses	12,450	15,613
Professional service expenses	6,908	8,390
Listing expenses	36,911	8,493
Cleaning fees	14,409	14,870
Taxes and surcharges	12,338	9,184
Business development expenses	6,878	4,450
Impairment losses of property, plant and equipment and right-of-use assets	3,378	658
Auditors' remuneration		
– audit services payable	4,200	–
Others	12,371	18,586
	<u>273,467</u>	<u>210,575</u>

(d) Other net (income)/losses

	2024 RMB'000	2023 RMB'000
Net losses on disposal of property, plant and equipment and right-of-use assets	6,043	4,465
Changes in carrying amount of the redemption liability	80,889	1,699
Changes in fair value of the convertible bonds and derivative financial instruments	(112,233)	3,733
Changes in fair value of the wealth management products	(428)	–
Exchange gains	(322)	(1,988)
Other income	(5,084)	(2,991)
	<u>(31,135)</u>	<u>4,918</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2024 RMB'000	2023 RMB'000
Current tax		
Provision for the year	<u>196,337</u>	<u>210,008</u>
	<u>196,337</u>	<u>210,008</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(5,705)</u>	<u>2,052</u>
	<u><u>190,632</u></u>	<u><u>212,060</u></u>

Notes:

- (i) Pursuant to the tax rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The applicable profits tax rate of the Group's subsidiaries incorporated in Hong Kong was 16.5% for the years ended 31 December 2024 and 2023. A two-tiered profits tax rates regime was introduced in 2018 whereby the first HKD2 million in assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%.
- (iii) Taxable income for the subsidiaries of the Company in the PRC are subject to PRC income tax rate of 25% for the years ended 31 December 2024 and 2023, unless otherwise specified below.

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

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

	2024 RMB'000	2023 RMB'000
Profit before taxation	<u>771,254</u>	<u>744,119</u>
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned (Notes i, ii, iii)	185,567	187,291
Tax benefit of subsidiaries subject to preferential tax rates (Note iii)	(945)	(383)
Tax effect of non-deductible expenses	4,643	4,855
Tax effect of unused tax losses not recognized	1,665	774
Tax effect of utilization of tax losses not recognized in previous years	(298)	(1,310)
PRC dividend withholding tax	-	20,833
Actual tax expense	<u>190,632</u>	<u>212,060</u>

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2024 Total RMB'000
Chairman and executive director					
Mr. Wang Shugao	-	468	-	17	485
Executive directors					
Mr. Li Daoqing	-	499	-	19	518
Mr. Tian Chunyong	-	510	-	19	529
Mr. Zhou Bin	-	515	-	32	547
Ms. Wang Weifang	-	482	-	17	499
Mr. Tao Xu'an	-	512	-	19	531
Independent Non-Executive directors					
Zeng Xiaosong (appointed on 11 December 2024)	15	-	-	-	15
Fang Xuan (appointed on 11 December 2024)	15	-	-	-	15
Zhu Nanjun (appointed on 11 December 2024)	15	-	-	-	15
Qian Mingxing (appointed on 11 December 2024)	15	-	-	-	15
	<u>60</u>	<u>2,986</u>	<u>-</u>	<u>123</u>	<u>3,169</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' EMOLUMENTS (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2023 Total RMB'000
Chairman and executive director					
Mr. Wang Shugao	–	537	–	17	554
Executive directors					
Mr. Li Daoqing	–	562	–	19	581
Mr. Tian Chunyong	–	542	–	19	561
Mr. Zhou Bin	–	695	–	20	715
Ms. Wang Weifang	–	665	–	17	682
BC To Mr. Tao Xu'an	–	688	–	19	707
	–	3,689	–	111	3,800

During the years ended 31 December 2024 and 2023, no director has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, nil (2023: three) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the paid amount to remaining individuals are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other emoluments	2,940	1,381
Retirement scheme contributions	99	36
	<u>3,039</u>	<u>1,417</u>

The emoluments of the five (2023: two) individuals with the highest emoluments are within the following bands:

	2024 Number of individuals	2023 Number of individuals
HK\$0 to HK\$1,000,000	<u>5</u>	<u>2</u>

During the years ended 31 December 2024 and 2023, no amounts were paid or payable by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

As disclosed in note 26(c)(i) and (ii), 40,000 shares were repurchased at nil consideration and cancelled by the Company in February 2023, and each share in the Company's issued and unissued share capital was subdivided into 100,000 shares in December 2024. Accordingly, the weighted average number of ordinary shares throughout the periods presented has been adjusted retrospectively for the impacts of the share repurchase and the share subdivision.

(i) Profit attributable to ordinary equity shareholders of the company

	2024 RMB'000	2023 RMB'000
Profit attributable to all equity shareholders of the Company	580,622	532,059
Effect of discretionary dividend distributed to the preferred shareholders (note 18(c))	<u>(13,152)</u>	<u>–</u>
Profit attributable to ordinary equity shareholders of the Company	<u><u>567,470</u></u>	<u><u>532,059</u></u>

(ii) Weighted average number of ordinary shares

	2024 '000	2023 '000
Issued ordinary shares at 1 January	10	50
Effect of the share repurchase (Note 26(c)(i))	–	(40)
Effect of the share subdivision (Note 26(c)(ii))	999,990	999,990
Effect of shares issued upon the completion of initial public offering (Note 26(c)(iii))	3,326	–
Effect of conversion of convertible preferred shares into ordinary shares (Note 26(c)(iv))	<u>2,477</u>	<u>–</u>
Weighted average number of ordinary shares at 31 December	<u><u>1,005,803</u></u>	<u><u>1,000,000</u></u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

For the year ended 31 December 2024, preferred shares (Note 25) were not included in the calculation of diluted earnings per share because their effect would have been anti-dilutive. Accordingly, diluted earnings per share were the same as basic earnings per share.

For the year ended 31 December 2023, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB543,594,000 and the weighted average of 1,021,919,000 ordinary shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the company (diluted)

	2023 RMB'000
Profit attributable to ordinary equity shareholders of the Company	532,059
Effect of changes in carrying amount of the redemption liability (Note 6(d))	1,699
Effect of changes in fair value of the convertible bonds	<u>9,836</u>
Profit attributable to ordinary equity shareholders of the Company (diluted)	<u><u>543,594</u></u>

(ii) Weighted average number of ordinary shares (diluted)

	2023 '000
Weighted average number of ordinary shares at 31 December	1,000,000
Effect of conversion of convertible bonds and redemption liability (Note 25)	<u>21,919</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>1,021,919</u></u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Buildings RMB'000	Kitchen equipment RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:						
At 1 January 2023	64,509	123,937	78,080	26,850	389,918	683,294
Additions	-	14,797	45,179	236,704	2,180	298,860
Transfer from construction in progress	-	54,150	1,857	(197,189)	141,182	-
Disposals	-	(9,297)	(4,026)	-	(27,825)	(41,148)
At 31 December 2023 and 1 January 2024	64,509	183,587	121,090	66,365	505,455	941,006
Additions	-	4,706	34,995	263,260	2,738	305,699
Transfer from construction in progress	-	83,361	1,890	(264,435)	179,184	-
Disposals	-	(13,950)	(6,638)	-	(28,264)	(48,852)
At 31 December 2024	64,509	257,704	151,337	65,190	659,113	1,197,853
Accumulated depreciation:						
At 1 January 2023	3,855	47,838	24,742	-	179,998	256,433
Charge for the year	3,061	28,159	17,198	-	84,419	132,837
Written back on disposals	-	(6,419)	(2,552)	-	(23,159)	(32,130)
At 31 December 2023 and 1 January 2024	6,916	69,578	39,388	-	241,258	357,140
Charge for the year	3,066	40,563	23,418	-	107,296	174,343
Written back on disposals	-	(9,384)	(4,206)	-	(21,650)	(35,240)
At 31 December 2024	9,982	100,757	58,600	-	326,904	496,243



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

(a) Reconciliation of carrying amount (Continued)

	Buildings RMB'000	Kitchen equipment RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
Impairment:						
At 1 January 2023	-	228	60	-	583	871
Charge for the year	-	-	-	-	626	626
Written back on disposals	-	(114)	(54)	-	(583)	(751)
At 31 December 2023 and 1 January 2024	-	114	6	-	626	746
Charge for the year	-	-	-	-	3,363	3,363
Written back on disposals	-	-	-	-	(1,750)	(1,750)
At 31 December 2024	-	114	6	-	2,239	2,359
Net book value:						
At 31 December 2024	54,527	156,833	92,731	65,190	329,970	699,251
At 31 December 2023	57,593	113,895	81,696	66,365	263,571	583,120

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

Impairment loss

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

During the year ended 31 December 2024, an impairment loss of RMB3,378,000 (2023: RMB658,000) was recognized, respectively, as the carrying amount of certain cash-generating units ("CGUs") exceeded their recoverable amount. The impairment loss was allocated to the assets in related restaurant including right-of-use assets, leasehold improvement and other property, plant and equipment within CGU on a pro rata basis, which was recognized in profit or loss as the "Other expenses" in the consolidated statements of profit or loss and other comprehensive income respectively.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

12 RIGHT-OF-USE ASSETS

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

	Properties RMB'000	Leasehold land RMB'000	Total RMB'000
Cost:			
At 1 January 2023	897,438	–	897,438
Additions	405,181	–	405,181
Disposals	(10,317)	–	(10,317)
At 31 December 2023 and 1 January 2024	1,292,302	–	1,292,302
Additions	342,017	12,453	354,470
Disposals	(23,336)	–	(23,336)
At 31 December 2024	1,610,983	12,453	1,623,436
Accumulated depreciation:			
At 1 January 2023	(404,677)	–	(404,677)
Charge for the year	(196,270)	–	(196,270)
Written back on disposals	2,769	–	2,769
At 31 December 2023 and 1 January 2024	(598,178)	–	(598,178)
Charge for the year	(256,225)	(249)	(256,474)
Written back on disposals	19,821	–	19,821
At 31 December 2024	(834,582)	(249)	(834,831)
Impairment:			
At 1 January 2023	(105)	–	(105)
Charge for the year	(32)	–	(32)
Written back on disposals	105	–	105
At 31 December 2023 and 1 January 2024	(32)	–	(32)
Charge for the year	(15)	–	(15)
Written back on disposals	33	–	33
At 31 December 2024	(14)	–	(14)
Net book value:			
At 31 December 2024	776,387	12,204	788,591
At 31 December 2023	694,092	–	694,092

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

12 RIGHT-OF-USE ASSETS (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties	256,225	196,270
Leasehold land	249	–
Total	256,474	196,270
Interest on lease liabilities (Note 6(a))	39,204	28,218
Expense relating to short-term leases	73,260	28,855
Variable lease payments not included in the measurement of lease liabilities	19,793	29,670

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 18(d) and 22, respectively.

Notes:

(i) Properties – Right-of-use assets

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

(ii) Leasehold land – Right-of-use assets

The Group holds one leasehold land for its business, including the whole land in the PRC, where its supply chain plant is primarily located. The lease run for periods is 50 years. The Group is the registered user of the property interests.

(iii) Rental deposits

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

13 INTANGIBLE ASSETS

	Software RMB'000	Trademarks RMB'000	Total RMB'000
Cost:			
At 1 January 2023	4,344	–	4,344
Addition	189	613	802
At 31 December 2023 and 1 January 2024	4,533	613	5,146
Addition	793	–	793
At 31 December 2024	5,326	613	5,939
Accumulated amortisation:			
At 1 January 2023	1,124	–	1,124
Charge for the year	1,059	51	1,110
At 31 December 2023 and 1 January 2024	2,183	51	2,234
Charge for the year	1,132	61	1,193
At 31 December 2024	3,315	112	3,427
Net book value:			
At 31 December 2024	2,011	501	2,512
At 31 December 2023	2,350	562	2,912



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Company name	Place and date of incorporation/ establishment	Particulars of registered capital	Particulars of paid-up capital	Proportion of ownership interest		Principal activity
				Effective interest held by the Group		
				2024	2023	
Indirectly held by the Company						
Anhui Xiaocaiyuan Catering Holdings Company Limited (安徽小菜園餐飲控股有限公司)(Note)	The People's Republic of China 09 December 2021	RMB50,000,000	RMB50,000,000	100%	100%	Investment Holding
Anhui Xiaocaiyuan Catering Management Company Limited (安徽小菜園餐飲管理有限公司)(Note)	The People's Republic of China 09 June 2013	RMB20,100,500	RMB20,100,500	100%	100%	Restaurant operations and delivery business
Xiaocaiyuan (Shanghai) Catering Management Company Limited (小菜園(上海)餐飲管理有限公司)(Note)	The People's Republic of China 30 November 2020	RMB5,000,000	RMB5,000,000	100%	100%	Restaurant operations and delivery business
Anhui Guandi Catering Management Company Limited (安徽觀邸餐飲管理有限公司)(Note)	The People's Republic of China 13 June 2017	RMB 5,000,000	RMB5,000,000	100%	100%	Restaurant operations and delivery business

NOTES TO THE FINANCIAL STATEMENTS

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14 INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Particulars of registered capital	Particulars of paid-up capital	Proportion of ownership interest		Principal activity
				Effective interest held by the Group	2023	
				2024	2023	
Hangzhou Xiaocaiyuan Catering Management Company Limited (杭州小菜園餐飲管理有限公司)(Note)	The People's Republic of China 7 November 2019	RMB3,000,000	RMB3,000,000	100%	100%	Restaurant operations and delivery business
Wuhan Xiaocaiyuan Catering Management Company Limited (武漢小菜園餐飲管理有限公司)(Note)	The People's Republic of China 29 July 2020	RMB 1,000,000	RMB 1,000,000	100%	100%	Restaurant operations and delivery business
Beijing Xiaocaiyuan Catering Management Company Limited (北京小菜園餐飲管理有限公司)(Note)	The People's Republic of China 01 December 2016	RMB1,000,000	RMB1,000,000	100%	100%	Restaurant operations and delivery business
Anhui Shangweitang Catering Management Company Limited (安徽尚味堂餐飲管理有限公司)(Note)	The People's Republic of China 04 July 2019	RMB10,000,000	RMB10,000,000	100%	100%	Restaurant operations and delivery business
Anhui Shangyuan catering service Company Limited (安徽尚園餐飲服務有限公司)(Note)	The People's Republic of China 31 October 2022	RMB5,000,000	RMB5,000,000	100%	100%	Supply chain management and delivery business



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES (Continued)

Company name	Place and date of incorporation/ establishment	Particulars of registered capital	Particulars of paid-up capital	Proportion of ownership interest		Principal activity
				Effective interest held by the Group	2023	
				2024	2023	
Indirectly held by the Company						
Xiaocaiyuan Nanjing Catering Management Company Limited (小菜園南京餐飲管理有限公司)(Note)	The People's Republic of China 30 July 2020	RMB60,000,000	RMB60,000,000	100%	100%	Restaurant operations and delivery business
Xiaocaiyuan (Suzhou) Catering Management Company Limited (小菜園(蘇州)餐飲管理有限公司)(Note)	The People's Republic of China 11 September 2020	RMB5,000,000	RMB5,000,000	100%	100%	Restaurant operations and delivery business
Jiang Xiaowan (Shanghai) Catering Management Service Company Limited (江小皖(上海)餐飲管理服務有限公司)(Note)	The People's Republic of China 26 June 2023	RMB5,000,000	RMB2,300,000	100%	100%	Restaurant operations and delivery business
Zhengzhou Caicaiyuan Catering Management Company Limited (鄭州小菜園餐飲管理有限公司)(Note)	The People's Republic of China 10 July 2023	RMB5,000,000	RMB5,000,000	100%	100%	Restaurant operations and delivery business
Jinan Caicaiyuan Catering Management Company Limited (濟南小菜園餐飲管理有限公司)(Note)	The People's Republic of China 10 August 2023	RMB5,000,000	RMB5,000,000	100%	100%	Restaurant operations and delivery business
Anhui Fengyuan Food Company Limited (安徽豐園食品有限公司)(Note)	The People's Republic of China 31 October 2022	RMB5,000,000	RMB16,000,000	100%	100%	Supply chain management and delivery business
Nanchang Xiaocaiyuan Catering Management Company Limited (南昌小菜園餐飲管理有限公司)(Note)	The People's Republic of China 14 August 2023	RMB5,000,000	RMB5,000,000	100%	100%	Restaurant operations and delivery business
Nanjing Caishou Catering Management Company Limited (南京菜手餐飲管理有限公司)(Note)	The People's Republic of China 10 August 2023	RMB5,000,000	RMB1,800,000	100%	100%	Restaurant operations and delivery business
Anhui Xiaocaiyuan Supply Chain Company Limited (安徽小菜園供應鏈有限公司)(Note)	The People's Republic of China 23 June 2021	RMB60,000,000	RMB60,000,000	100%	100%	Supply chain management and delivery business
Xiaocaiyuan (Ma'anshan) Catering Management Company Limited (小菜園(馬鞍山)餐飲管理有限公司)(Note)	The People's Republic of China 06 November 2023	RMB10,000,000	RMB10,000,000	100%	100%	Restaurant operations and delivery business
Xiaocaiyuan (Ma'anshan) Supply Chain Company Limited (小菜園(馬鞍山)供應鏈有限公司)(Note)	The People's Republic of China 07 November 2023	RMB60,000,000	RMB50,000,000	100%	100%	Supply chain management and delivery business

Note:

The official names of these entities are in Chinese. The English names are for identification purpose only.

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15 INVENTORIES

	2024 RMB'000	2023 RMB'000
Food ingredients	82,738	80,567
Condiment products	13,375	10,051
Beverage	3,507	3,524
Others	9,946	10,756
	<u>109,566</u>	<u>104,898</u>

- (a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold and consumed	<u>1,661,021</u>	<u>1,433,379</u>

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

16 TRADE RECEIVABLES, OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade debtors	30,730	33,707
Other receivables and deposits	84,678	88,901
Prepayments	173,715	134,107
Value added tax recoverable	12,740	13,422
	<u>301,863</u>	<u>270,137</u>

Prepayments mainly represent prepayments for prepayments of procurement, rental and property management expenses, utilities expenses.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

16 TRADE RECEIVABLES, OTHER RECEIVABLES (Continued)

Ageing analysis

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

	2024 RMB'000	2023 RMB'000
Within 1 month	28,116	31,580
1 to 3 months	1,832	1,489
3 to 6 months	367	224
Over 6 months but within 1 year	415	414
	<u>30,730</u>	<u>33,707</u>

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

17 FINANCIAL ASSETS AT FVPL

	2024 RMB'000	2023 RMB'000
Financial assets at FVPL		
– Wealth management products	<u>788,280</u>	<u>–</u>

In December 2024, the Group has invested USD109,600,000 (2023: nil) in several funds. These funds' investments are mainly invested in US treasury bills and other instruments.

During the year, the net unrealised gain in these investments of USD60,000 (2023: nil) was recognised as a gain in changes in fair value recognised in profit or loss during the period.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash on hand	10	1
Cash at bank	840,007	645,152
Less: Restricted deposits	–	(25,000)
Less: Time deposits	(223,556)	–
	<u>616,661</u>	<u>620,153</u>

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

	Note	2024 RMB'000	2023 RMB'000
Profit before taxation		771,254	744,119
Adjustments for:			
Interest income	5	(24,623)	(9,022)
Investment income	5	(4,191)	(2,556)
Depreciation and amortisation		432,010	330,217
Finance costs	6(a)	41,122	31,554
Changes in carrying amount of the redemption liability	6(d)	80,889	1,699
Changes in fair value of the convertible bonds and derivative financial instruments	6(d)	(112,233)	3,733
Impairment losses of property, plant and equipment and right-of-use assets	6(c)	3,378	658
Net loss on disposal of property, plant and equipment and right-of-use assets	6(d)	6,043	4,465
Changes in fair value of the wealth management products	6(d)	428	–
Changes in working capital:			
Increase in inventories		(4,668)	(20,127)
Increase in trade and other receivables, and rental deposits		(33,380)	(95,903)
(Decrease)/increase in trade and other payables		(51,977)	46,045
Increase in contract liabilities		9,474	10,057
Cash generated from operations		<u>1,113,526</u>	<u>1,044,939</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities

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

	Lease liabilities RMB'000 (Note 22)	Bank loans and other borrowings RMB'000 (Note 19)	Financial instruments issued to an investor RMB'000 (Note 25)	Dividend payable RMB'000 (Note 26(b))	Total RMB'000
At 1 January 2024	711,131	50,000	501,892	-	1,263,023
Changes from financing cash flows:					
Repayment of bank loans and other borrowings	-	(50,000)	-	-	(50,000)
Interest expenses of bank loans paid	-	(470)	-	-	(470)
Proceeds from the financial instruments issued to an investor	-	-	100,000	-	100,000
Payment of capital element of lease liabilities	(225,718)	-	-	-	(225,718)
Payment of interest element of lease liabilities	(39,204)	-	-	-	(39,204)
Payment of the redemption liability	-	-	(3,149)	-	(3,149)
Dividends paid	-	-	(13,152)	(174,348)	(187,500)
Total changes from financing cash flows	(264,922)	(50,470)	83,699	(174,348)	(406,041)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities RMB'000 (Note 22)	Bank loans and other borrowings RMB'000 (Note 19)	Financial instruments issued to an investor RMB'000 (Note 25)	Dividend payable RMB'000 (Note 26(b))	Total RMB'000
Other changes:					
Interest expenses	39,204	470	-	-	39,674
Increase in lease liabilities from entering into new leases during the period	328,555	-	-	-	328,555
Decrease in lease liabilities from ceasing leases contract during the period	(3,497)	-	-	-	(3,497)
Changes in carrying amount of the redemption liability	-	-	80,889	-	80,889
Changes in fair value of the convertible bonds and derivative financial instruments	-	-	(112,233)	-	(112,233)
Increase in other reserve-Redeemable convertible preferred shares	-	-	24,486	-	24,486
Effect of foreign exchange rate changes	-	-	428	-	428
Dividend declared	-	-	13,152	174,348	187,500
transfer to ordinary shares	-	-	(592,313)	-	(592,313)
Total other changes	364,262	470	(585,591)	174,348	(46,511)
At 31 December 2024	810,471	-	-	-	810,471

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities RMB'000 (Note 22)	Bank loans and other borrowings RMB'000 (Note 19)	Financial instruments issued to an investor RMB'000 (Note 25)	Dividend payable RMB'000 (Note 26(b))	Total RMB'000
At 1 January 2023	506,734	113,438	-	-	620,172
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	-	50,000	-	-	50,000
Repayment of bank loans and other borrowings	-	(113,438)	-	-	(113,438)
Interest expenses of bank loans paid	-	(2,299)	-	-	(2,299)
Proceeds from the financial instruments issued to an investor	-	-	400,000	-	400,000
Payment of capital element of lease liabilities	(172,068)	-	-	-	(172,068)
Payment of interest element of lease liabilities	(28,218)	-	-	-	(28,218)
Dividend paid	-	-	-	(135,276)	(135,276)
Total changes from financing cash flows	(200,286)	(65,737)	400,000	(135,276)	(1,299)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities RMB'000 (Note 22)	Bank loans and other borrowings RMB'000 (Note 19)	Financial instruments issued to an investor RMB'000 (Note 25)	Dividend payable RMB'000 (Note 26(b))	Total RMB'000
Other changes:					
Interest expenses	28,218	2,299	-	-	30,517
Increase in lease liabilities from entering into new leases during the period	384,952	-	-	-	384,952
Decrease in lease liabilities from ceasing leases contract during the period	(8,487)	-	-	-	(8,487)
Changes in carrying amount of the redemption liability	-	-	1,699	-	1,699
Changes in fair value of the convertible bonds and derivative financial instruments	-	-	3,733	-	3,733
Decrease in other reserve	-	-	97,140	-	97,140
Effect of foreign exchange rate changes	-	-	(680)	-	(680)
Dividend declared	-	-	-	135,276	135,276
Total other changes	404,683	2,299	101,892	135,276	644,150
At 31 December 2023	711,131	50,000	501,892	-	1,263,023

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2024 RMB'000	2023 RMB'000
Within operating cash flows	93,053	58,525
Within financing cash flows	264,922	200,286
	<u>357,975</u>	<u>258,811</u>

19 BANK LOANS AND OTHER BORROWINGS

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

	2024 RMB'000	2023 RMB'000
Bank loans	-	50,000

20 TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	56,932	81,577
Staff cost payable	96,992	108,190
Other taxes payable	11,142	8,558
Other payables and accrued charges	63,434	82,152
	<u>228,500</u>	<u>280,477</u>

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within one year	<u>56,932</u>	<u>81,577</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

21 CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Contract liabilities related to prepaid cards	74,122	66,604
Contract liabilities related to customer membership programs	3,212	1,256
	<u>77,334</u>	<u>67,860</u>

Movements in contract liabilities

	2024 RMB'000	2023 RMB'000
Balance at 1 January	67,860	57,803
Net increase in contract liabilities during the year	77,334	67,860
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	<u>(67,860)</u>	<u>(57,803)</u>
Balance at 31 December	<u>77,334</u>	<u>67,860</u>

22 LEASE LIABILITIES

At 31 December 2024, the lease liabilities were repayable as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	<u>223,830</u>	<u>192,171</u>
After 1 year but within 2 years	191,958	164,072
After 2 years but within 5 years	365,455	304,230
After 5 years	<u>29,228</u>	<u>50,658</u>
	<u>586,641</u>	<u>518,960</u>
	<u>810,471</u>	<u>711,131</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

23 PROVISIONS

Provision for restoration costs

	2024 RMB'000	2023 RMB'000
Provision for restoration costs	<u>29,156</u>	<u>24,962</u>

The movements of provisions during the year ended 31 December 2024 and 2023 were as follows:

	2024 RMB'000	2023 RMB'000
Balance at the beginning	24,962	20,135
Additional provisions	2,746	3,849
Interest on provisions	1,448	1,037
Provisions utilized	<u>—</u>	<u>(59)</u>
Balance at the end	<u>29,156</u>	<u>24,962</u>

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

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	70,526	24,087
Provision for income tax for the year	196,337	210,008
Income tax paid	<u>(189,839)</u>	<u>(163,569)</u>
At the end of the year	<u>77,024</u>	<u>70,526</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Right-of-use	Lease	Provisions	Withholding	Accruals	Impairment	Total
	assets	liabilities	RMB'000	tax on	RMB'000	RMB'000	RMB'000
	RMB'000	RMB'000	RMB'000	dividend	RMB'000	RMB'000	RMB'000
				RMB'000			
At 1 January 2023	140,247	(126,685)	(5,034)	15,031	(200)	(243)	23,116
Payment in the period	-	-	-	(15,031)	-	-	(15,031)
Charged/(credited) to profit or loss	33,277	(51,099)	(1,207)	20,833	200	48	2,052
At 31 December 2023 and 1 January 2024	173,524	(177,784)	(6,241)	20,833	-	(195)	10,137
Payment in the period	-	-	-	(20,833)	-	-	(20,833)
Charged/(credited) to profit or loss	20,573	(24,834)	(1,049)	-	-	(395)	(5,705)
At 31 December 2024	194,097	(202,618)	(7,290)	-	-	(590)	(16,401)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2024 RMB'000	2023 RMB'000
Net deferred tax asset in the consolidated statement of financial position	16,401	–
Net deferred tax liability in the consolidated statement of financial position	–	(10,137)
	<u>16,401</u>	<u>(10,137)</u>

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(q), the Group did not recognize deferred tax assets of in respect of cumulative unused tax losses arising from the Group of RMB8,005,000 (2023: RMB2,502,000) as at 31 December 2024, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses are expected to expire from 2027 to 2028 under current tax legislation.

(d) Deferred tax liability not recognized

Under the Enterprise Income Tax Law of the PRC (“EIT Law”), withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB813,794,000 (2023: RMB463,950,000) as at 31 December 2024, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

25 FINANCIAL INSTRUMENTS ISSUED TO AN INVESTOR

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

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

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

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

Upon the completion of the Listing, 753.38 preferred shares were converted into 75,338,000 ordinary shares of the Company in aggregate after adjusting for the effect of the share subdivision.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

25 FINANCIAL INSTRUMENTS ISSUED TO AN INVESTOR (Continued)

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

Redeemable convertible preferred shares

- Redemption rights

Shares issued by the Company to Harvest Delicacy shall be redeemable by the Company upon the occurrence of certain events, including:

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

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

- Liquidation preference

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

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

- Conversion rights

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

25 FINANCIAL INSTRUMENTS ISSUED TO AN INVESTOR *(Continued)*

Presentation and classification

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

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

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

As at 20 December 2024 (“Listing Day”) and 31 December 2023, the redemption liability arising from the Pre-IPO Investments are measured at present value of the redemption price which is the higher of (i) the transaction price at initial recognition, and subsequently at amortized cost at an effective interest rate of 8% per annum plus all declared but unpaid dividends; (ii) the fair value of the net assets of the Company corresponding to the proportion of shares redeemed. The changes in carrying amount of the redemption liability, being RMB80,889,000 for 2024 and RMB1,699,000 for 2023, is recognized in “other net (income)/ losses” in the consolidated statements of profit or loss and other comprehensive income.

During the year ended 31 December 2024, the Company declared a dividend of RMB187,500,000, among which, RMB13,152,000 was declared to the preferred share holder, and the amount was settled in May 2024.

In addition, in May 2024, the Company paid the amount of RMB3,149,000 to compensate the preferred share holder in respect of the profit distribution in 2023 before the investment of preferred share holder in accordance with the investment agreement.

All redeemable convertible preferred shares were converted into 75,338,000 ordinary shares of the Company upon the completion of the Listing, resulting in a transfer of the carrying amount of financial instruments issued to investors of RMB592,313,000 and other reserve of RMB121,626,000 (negative) to ordinary share capital of RMB6,000 and share premium of RMB470,681,000 respectively.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

25 FINANCIAL INSTRUMENTS ISSUED TO AN INVESTOR *(Continued)*

Pre-IPO Investor's Compensation Right

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

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

Presentation and classification

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

Upon Listing, the market value exceeded 130% of the Company's valuation following the Pre-IPO Investor's investment. Consequently, the Company is exempt from paying any compensation as stipulated in the relevant agreements. The carrying amount of the derivative financial instruments was written down from RMB 66,700,000 to zero as at 20 December 2024.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
Balance at 1 January 2023	322	-	26	-	-	348
Changes in equity for 2023:						
Repurchase of shares (Note 26(c))	(258)	-	-	-	-	(258)
Profit for the year	-	-	-	-	125,788	125,788
Other comprehensive income	-	-	401	-	-	401
Financial instruments issued to an investor (Note 26(d)(iv))	-	-	-	(97,140)	-	(97,140)
Dividends declared (Note 26(b))	-	-	-	-	(135,276)	(135,276)
Balance at 31 December 2023 and 1 January 2024	64	-	427	(97,140)	(9,488)	(106,137)
Changes in equity for 2024:						
Shares issued upon the completion of initial public offering (Note 26(c)(iii))	7	776,572	-	-	-	776,579
Profit for the year	-	-	-	-	202,475	202,475
Other comprehensive income	-	-	4,650	-	-	4,650
Financial instruments issued to an investor (Note 26(d)(iv))	-	-	-	(24,486)	-	(24,486)
Conversion of convertible preferred shares into ordinary shares (Note 26(c)(iv))	6	470,681	-	121,626	-	592,313
Dividends declared (Note 26(b))	-	-	-	-	(187,500)	(187,500)
Balance at 31 December 2024	77	1,247,253	5,077	-	5,487	1,257,894



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

(i) Dividend payable to equity shareholders of the Company attribute to the year:

	2024 RMB'000	2023 RMB'000
Final dividend proposed after the end of the reporting period of RMB0.3187 per share (2023: RMB17,435 per share)	<u>375,000</u>	<u>187,500</u>

The final dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years, declared and approved during the year:

	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB17,435 per share (2023: RMB2,705 per share)	<u>187,500</u>	<u>135,276</u>

Note:

As disclosed in note 25, during the year ended 31 December 2024, the Company declared a final dividend of RMB187,500,000 in respect of the year ended 31 December 2023, among which, RMB13,152,000 was declared to the preferred share holder, and the amount was settled in May 2024.

As disclosed in note 26(c)(ii), the Company has carried out a share subdivision with a ratio of 1 to 100,000 on 2 December 2024. The dividend per share disclosed for the year ended 31 December 2023 were not adjusted for subdivision.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

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

	Number of shares '000	Amount USD'000	Share capital RMB'000
Ordinary shares			
At 1 January 2023	50	50	322
Repurchase of shares (i)	<u>(40)</u>	<u>(40)</u>	<u>(258)</u>
At 31 December 2023	<u>10</u>	<u>10</u>	<u>64</u>
Effect of the share subdivision (ii)	999,990	–	–
Shares issued upon the completion of initial public offering (iii)	101,181	1	7
Conversion of convertible preferred shares into ordinary shares (iv)	<u>75,338</u>	<u>1</u>	<u>6</u>
At 31 December 2024	<u>1,176,519</u>	<u>12</u>	<u>77</u>

Notes:

- (i) On 10 February 2023, 40,000 shares have been repurchased at nil consideration and cancelled by the Company.
- (ii) Pursuant to a board resolution dated 2 December 2024, each share in the Company's issued and unissued share capital with a par value of USD1 was subdivided into 100,000 shares of the corresponding class with a par value of USD0.00001 each.
- (iii) On 20 December 2024, the Company issued 101,180,000 ordinary shares at an offer price of HKD8.50 per share through the Listing. Net proceeds from the Listing amounted to RMB776,579,000 equivalent, after deducting all capitalised listing expenses. Out of the net proceeds, RMB7,000 and RMB776,572,000 were credited to the Company's share capital and share premium account, respectively.
- (iv) Upon the completion of the Listing, 753.38 preferred shares were converted into 75,338,000 ordinary shares of the Company in aggregate (after adjusting for the effect of the share subdivision), resulting in a transfer of the carrying amount of financial instruments issued to investors of RMB592,313,000 and other reserve of RMB121,626,000 (negative) to ordinary share capital of RMB6,000 and share premium of RMB470,681,000 respectively.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents: (i) the difference between consideration received for ordinary shares subscription net of any transaction costs directly attributable to the subscription and the par value of the ordinary shares subscribed; (ii) the amount arises from the transfer of the carrying amount of financial instruments issued to investors to ordinary share.

(ii) Share-based payments reserve

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

(iii) Statutory reserve

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

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

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

(iv) Other reserve

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Capital management

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

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

The Group's overall strategy remains unchanged throughout the years ended 31 December 2024 and 2023. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities divided by its total assets, as at 31 December 2024 was 34% (2023:73%) respectively.

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

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

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

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

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

(b) Liquidity risk

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

		2024								
		Contractual undiscounted cash outflow								
		More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000				
Trade and other payables		228,500	-	-	-	228,500	228,500			
Lease liabilities		264,774	221,075	394,899	30,678	911,426	810,471			
		493,274	221,075	394,899	30,678	1,139,926	1,038,971			
		2023								
		Contractual undiscounted cash outflow								
		More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 Dec RMB'000				
Trade and other payables		280,477	-	-	-	280,477	280,477			
Bank loans and other borrowings		51,151	-	-	-	51,151	50,000			
Lease liabilities		232,762	197,017	354,204	53,573	837,556	711,131			
Redemption liability		413,242	-	-	-	413,242	413,242			
Derivative financial instruments		88,650	-	-	-	88,650	88,650			
		1,066,282	197,017	354,204	53,573	1,671,076	1,543,500			

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

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

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in RMB)	
	2024 United States Dollars RMB'000	2023 United States Dollars RMB'000
Redemption liability	-	413,242

(ii) Sensitivity analysis

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

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



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

The Group has a team headed by the finance manager performing valuations for the financial instruments, including, unlisted investments and unlisted units in investment funds which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

	Fair value at 31 December 2024 RMB'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
<i>Asset:</i>				
Financial assets at FVPL	788,280	-	788,280	-
	<u>788,280</u>	<u>-</u>	<u>788,280</u>	<u>-</u>
	Fair value at 31 December 2023 RMB'000	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
<i>Liability:</i>				
Derivative financial instruments	88,650	-	-	88,650
	<u>88,650</u>	<u>-</u>	<u>-</u>	<u>88,650</u>

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of wealth management products in Level 2 is determined by recent comparable transaction price on the market.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Derivative financial instruments	Back-solve from recent transaction price Market multiple method (i)	Risk-free interest rate Volatility

Notes:

- (i) Derivative financial instruments – Compensation Right

The fair values of the Compensation Right are determined using the binomial tree model. As at 31 December 2023, key assumptions used are set out below:

	2023
Risk-free interest rate	4.70%
Volatility	29.32%

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

	2023 RMB'000
Risk-free interest rate increased by 1%	471
Risk-free interest rate decreased by 1%	(564)

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

	2023 RMB'000
Volatility increased by 1%	40
Volatility decreased by 1%	(15)



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

28 COMMITMENTS

Commitments outstanding at the respective year end not provided for in the financial statements were as follows:

	2024 RMB'000	2023 RMB'000
Contracted for acquisition of property, plant and equipment	<u>128,424</u>	<u>39,408</u>

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	4,029	6,847
Contributions to defined contribution retirement plan	<u>160</u>	<u>147</u>
	<u>4,189</u>	<u>6,994</u>

Total remuneration is included in "staff costs" (see Note 6(b)).



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Trade and other receivables		71	71
Investment in subsidiaries	14	<u>54,219</u>	<u>53,421</u>
		<u>54,290</u>	<u>53,492</u>
Current assets			
Trade and other receivables		3,953	1,499
Cash and cash equivalents		427,880	350,756
Financial assets at FVPL	17	<u>788,280</u>	<u>–</u>
		<u>1,220,113</u>	<u>352,255</u>
Current liability			
Trade and other payables		<u>16,509</u>	<u>9,992</u>
Net current assets		<u>1,203,604</u>	<u>342,263</u>
Total assets less current liabilities		<u>1,257,894</u>	<u>395,755</u>
Non-current liabilities			
Redemption liability		–	413,242
Derivative financial instruments		<u>–</u>	<u>88,650</u>
		<u>–</u>	<u>501,892</u>
Net assets/(liabilities)		<u>1,257,894</u>	<u>(106,137)</u>
Capital and reserves			
Share capital	26(c)	77	64
Reserves		<u>1,257,817</u>	<u>(106,201)</u>
Total equity		<u>1,257,894</u>	<u>(106,137)</u>



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in Note 26(b).

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2024, the Directors consider the immediate and ultimate controlling party of the Group to be Mr. Wang Shugao.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2024 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, <i>The effects of changes in foreign exchange rates – Lack of exchangeability</i>	1 January 2025
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027

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



DEFINITIONS

“Articles of Association” or “Articles”	the second amended and restated articles of association of the Company adopted by special resolution on December 2, 2024 with effect on the Listing Date, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“BVI Entities”	XCY Yongqing Limited, XCY Xuyuan Limited, XCY Zhiyuan Limited, XCY Huiming Limited, XCY Weiyuan Limited, XCY Liyuan Limited and XCY Future Limited
“Caishou”	Caishou (菜手), one of our restaurant brands
“Cayman Companies Act”	the Companies Act (Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended, supplemented or otherwise modified from time to time
“China” or “PRC”	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China”, “Mainland China” or the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“Company” or the “Company”	Xiaocaiyuan International Holding Ltd. (小菜園國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on October 19, 2021, the Shares of which were listed on the Main Board of the Hong Kong Stock Exchange on December 20, 2024 (stock code: 0999)
“Compliance Adviser”	Altus Capital Limited



DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, shall mean Mr. Wang, the Other Individual Shareholders and the BVI Entities
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	the director(s) of the Company
“Fuxinglou”	Fuxinglou (復興樓), one of our restaurant brands
“Global Offering”	the Hong Kong Public Offering and the International Offering mentioned in the Prospectus
“Group”, “we” or “us”	the Company and its subsidiaries
“Harvest Delicacy”	Harvest Delicacy Infinite Corporation, a limited liability company incorporated under the laws of BVI on October 28, 2022 and one of our Pre-IPO Investors
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board



DEFINITIONS

“Latest Practicable Date”	March 31, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	being December 20, 2024 on which the Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules
“Mr. Wang”	Mr. Wang Shugao (汪書高), our founder, executive Director, the chairman of the Board, general manager and one of our Controlling Shareholders
“Nomination Committee”	the nomination committee of the Board
“Ordinary Share(s)” or “Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of US\$0.00001 each
“Other Individual Shareholders”	Mr. Li Daoqing, Mr. Tian Chunyong, Mr. Zhou Bin, Mr. Tao Xu’an, Mr. Ye Hongli, Mr. Fang Zhiguo, Ms. Wang Weifang and Mr. Chen Haiyan
“Prospectus”	the prospectus dated December 12, 2024 issued by the Company in connection with the Global Offering and Listing
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC



DEFINITIONS

“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	From January 1, 2024 to December 31, 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$” or “U.S. dollar”	United States dollar, the lawful currency of the United States
“Xiaocaiyuan”	Xiaocaiyuan (小菜園), one of our restaurant brands
“Xiaocaiyuan Catering”	Anhui Xiaocaiyuan Catering Management Co., Ltd. (安徽小菜園餐飲管理有限責任公司), a limited liability company incorporated under the laws of the PRC on June 9, 2013 and a wholly owned subsidiary of the Company
“Xiaocaiyuan Catering Holdings”	Anhui Xiaocaiyuan Catering Holdings Co., Ltd. (安徽小菜園餐飲控股有限公司), a limited liability company incorporated under the laws of the PRC on December 9, 2021 and a wholly owned subsidiary of the Company
“Xiaocaiyuan Holdings”	Anhui Xiaocaiyuan Holdings Co., Ltd. (安徽小菜園控股有限公司), a limited liability company incorporated under the laws of the PRC on December 2, 2020
“%”	percentage

