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Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2014	2013	Year-on-Year
	RMB'000	*RMB'000*	Change(1)
	(audited)	(audited)	%
Revenue	**2,201,989**	1,890,470	16.5
Restaurant level operating profit(1)(3)	**450,257**	365,823	23.1
Profit before tax	**186,043**	184,708	0.7
Profit and total comprehensive income for the year attributable to owners of the Company	**141,193**	140,710	0.3
Adjusted net profit(2)(3)	**185,998**	141,160	31.8

(1) Restaurant level operating profit is calculated by deducting raw materials and consumables cost and restaurant level staff costs, restaurant level rental and property related expenses, restaurant level depreciation and amortization and other restaurant level expenses from the Group's revenue.

(2) Adjusted net profit is calculated by deducting expense related to equity-settled share-based payments from the Group's staff costs and expenses related to the listing from the Group's other expenses.

(3) Restaurant level operating profit and adjusted net profit are unaudited non-GAAP items. To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group has presented these non-GAAP items as additional measures to evaluate the financial performance of the Group by considering the impact of items that the Group believes are frequently used by analysts, investors and other interested parties in the evaluation of companies in the industry the Group operates and by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business.

OPERATIONAL HIGHLIGHTS

Key operational information for the Group's restaurants

Set forth below are certain key performance indicators of the Group's restaurants:

	As of or for the years ended 31 December	
	2014	**2013**
Total restaurants (#)	**452**	394
Seat turnover rate (X)[1]	**3.8**	4.2
Average spending per customer (RMB)[2]	**44.4**	40.8

(1) Calculated by dividing total customer traffic by total restaurant operation days and average seat count during the year.

(2) Calculated by dividing revenue for the year by total customer traffic for the year.

PROPOSED FINAL DIVIDEND

Proposed final dividend of RMB0.047 per share (equivalent to HK$0.059 per share), amounting to approximately a total of RMB50.0 million for the year ended 31 December 2014 and representing approximately 35% of our net profit for the year ended 31 December 2014.

The board of directors (the "**Board**") of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014. The annual results have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**") and audited by Deloitte Touche Tohmatsu, the auditor of the Company. In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

BUSINESS REVIEW AND OUTLOOK

Overview

In 2014, the Group opened a total of 86 restaurants, which is in line with the Group's overall restaurant network expansion plan for the year. The Group extended its restaurant network into Shanxi Province and Henan Province in 2014. As of 31 December 2014, the Group owned and operated 452 restaurants in 26 cities over six provinces and in three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China.

Although we encountered economic instability, the Group's revenue still increased by 16.5% from RMB1,890.5 million in 2013 to RMB2,202.0 million in 2014 because of our constant efforts. In the meanwhile, the Group's efforts in controlling procurement costs for raw materials by price bargaining power enhancement, products combination optimization and strategic stock management, resulted in the Group's restaurant level operating profit grew by 23.1% from RMB365.8 million in 2013 to RMB450.3 million in 2014. As of 31 December 2014, the Group's net current assets increased significantly to RMB887.1 million from RMB206.1 million as of 31 December 2013.

In addition, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 December 2014 (the "**Listing Date**"), marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group's future development.

Industry review

In 2014, China's catering service market fluctuated significantly, but started to recover by the end of the year stemming from favorable government policies introduced during the year. According to the China Cuisine Association, China's catering service market grew by 9.7% from 2013 to reach RMB2,786 billion, which was the first increase in year-on-year growth rate since 2011. We expect a more stably growing catering service market in 2015 with various favorable policies continue to be launched by the government. The market for hotpot dining experienced a stronger year-on-year growth at 13% in 2014. Leveraging the favorable industry trend as well as its leading position within the fast casual dining market, the Group, with persistent efforts, was able to record satisfactory results of operations.

Overall Business and Financial Performance

The Group's restaurant network

In 2014, the Group adhered to its restaurant network expansion plan and opened a total of 86 restaurants. The Group also suspended the operation of 22 restaurants which did not possess the relevant fire safety certificates shortly before the Listing Date and closes another six restaurants. The table below sets forth the breakdown of the Group's system wide restaurants by region as of the dates indicated:

	As of 31 December			
	2014		2013	
	#	%	#	%
Beijing	**246**	**54.4**	243	61.7
Shanghai	**58**	**12.8**	55	14.0
Tianjin	**42**	**9.3**	34	8.6
Other regions(1)	**106**	**23.5**	62	15.7
Total	**452**	**100.0**	394	100.0

(1) Including 26 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi and Henan Provinces.

Key operational information for the Group's restaurants

Set forth below are certain key performance indicators of the Group's system wide restaurants by region:

	As of or for the years ended 31 December	
	2014	2013
Revenue (in RMB thousands)		
Beijing	**1,525,380**	1,390,192
Shanghai	**214,815**	197,291
Tianjin	**155,154**	116,272
Other regions(1)	**306,640**	186,715
Total	**2,201,989**	1,890,470
Seat turnover rate (X)(2)		
Beijing	**4.3**	4.8
Shanghai	**2.6**	2.7
Tianjin	**3.3**	3.4
Other regions(1)	**3.0**	3.3
Total	**3.8**	4.2

	As of or for the years ended 31 December	
	2014	**2013**
Average spending per customer (RMB)[3]		
Beijing	**44.4**	40.8
Shanghai	**47.6**	42.9
Tianjin	**43.6**	40.3
Other regions[1]	**43.2**	39.0
Total	**44.4**	40.8

(1) Including 26 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi and Henan Provinces.

(2) Calculated by dividing total customer traffic by total restaurant operation days and average seat count during the year.

(3) Calculated by dividing revenue for the year by total customer traffic for the year.

In 2014, Beijing continued to be the Group's most important geographical market both in terms of restaurant count and revenue contribution. However, as the Group successfully expanded into additional markets, the Group's revenue generated from restaurants in Beijing decreased as a percentage of the Group's total revenue in 2014. Meanwhile, in 2014, average customer spending continued to increase, primarily due to (i) a general increase in food ingredients prices in China; and (ii) the Group's effort to optimize its product combinations as well as continuously launch new products.

The table below sets forth the Group's same-store sales for the years indicated. The Group's same-store base is defined as those restaurants that were in operation throughout the periods under comparison.

	Year ended 31 December	**Year ended 31 December**
	2013 **2014**	**2012** **2013**
Number of same-store (#)		
Beijing	**213**	198
Shanghai	**50**	39
Tianjin	**29**	24
Other regions[1]	**46**	21
Total	**338**	282

	Year ended 31 December		Year ended 31 December	
	2013	**2014**	2012	2013
Same-store sales (in RMB millions)				
Beijing	**1,275.1**	**1,286.4**	1,162.5	1,199.1
Shanghai	**179.9**	**188.0**	133.5	125.9
Tianjin	**104.5**	**109.7**	72.5	82.0
Other regions(1)	**156.3**	**156.8**	56.2	57.3
Total	**1,715.8**	**1,740.9**	1,424.7	1,464.3
Same-store sales growth (%)				
Beijing	**0.9**		3.1	
Shanghai	**4.5**		(5.7)	
Tianjin	**5.0**		13.1	
Other regions(1)	**0.4**		2.0	
Nationwide	**1.5**		2.8	

(1) Including 26 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi and Henan Provinces.

In 2014, the Group recorded a lower nationwide same-store sales growth as compared with 2013, primarily as the Group's same-stores in Beijing experienced a slower growth, which in turn was primarily due to a general slowdown in the economic growth and a turbulent catering service market in China.

Outlook for 2015

Business Outlook

During 2015, the Group will continue its efforts to achieve its goal of becoming the leading operator of fast casual restaurant industry and maintaining its leading position as a hotpot restaurant chain operator in China. The Group intends to pursue the following:

- *Promote brand image and recognition* – As the Group has optimized its brand positioning in 2014, the Group will shift from business-centered strategy to brand-building strategy. The brand value of "Xiabuxiabu" will be the vanguard for the Group's business in 2015 and beyond. In the meantime, innovative online and offline marketing initiatives will be launched to help enhance the Group's brand recognition.

- *Drive same-store sales growth* – In addition to branding and promotion initiatives, the Group will accelerate its exploration on the new Xiabuxiabu-Stop model in 2015 and fully utilize business hours beyond rush hours during lunch and dinner time to improve its operating results, by supplementing its current model. Marketing with a focus on customer relationship management will also further increase customer stickiness. The Group also plans to fully utilize its over 50 million customer flow and initiate joint promotion programs with renowned brands in this big data era.

- *Expansion of restaurant network* – The Group will follow its five-year strategic plan to steadily expand the Group's business. The Group plans to open 120 new restaurants in 2015 to strengthen the presence in existing markets and further explore and penetrate into new markets such as Shanxi, Henan, Hubei and Heilongjiang. During the expansion, the Group will continue to focus on new markets research and create synergies among functions of the Group's internal departments such as business development, sales and marketing and operations departments so as to ensure the success of new restaurants in emerging markets.

- *Enhance profitability* – The Group intends to maintain cost competitiveness within the industry through entering framework agreements with suppliers and formulating procurement plan based on consumption forecast. In terms of management of labor cost, the Group also intends to optimize restaurant layout, introduce new technologies and continuously improve operation management efficiency in response to the increasing labor cost. In addition, the Group intends to enhance its brand value, strengthen strategic alliance with landlords, as well as open smaller size and higher return restaurants, thereby effectively control rental expenses.

- *Strengthen organization and human resources management* – In order to better understand the market, the Group will enhance its accountability system and encourage the proactivity of general manager of specific markets to take overall responsibility for marketing and sales, restaurant openings and profit management in the respective local market. As to employee development, in addition to constantly implementing the management trainee project, the Group will continuously enhance its system of employee appraisal, training and promotion, to ensure a sustainable supply of talents. At the same time, the Group will also explore on the establishment of an efficient long-term store manager incentive system.

- *Maintain stringent food safety and quality standard* – The Group will further its commitment to food safety and quality, including the following aspects: (i) implement stringent food safety and quality control standards and measures throughout different aspects of the Group's operations, including supply chain, logistics, food processing plants and restaurants; (ii) continue the Group's centralized procurement system; (iii) cooperate exclusively with reputable and high-quality suppliers; (iv) eliminate intermediaries in the supply chain through direct delivery to restaurant from suppliers or the Group's logistics centers; and (v) continuous self-evaluation and enhancement on the Group's food safety and quality control standards and measures.

Industry Outlook

The Group believes that the growing per capita disposable income and urbanization rate, changing consumer lifestyle, quicker living tempo and increasing amount of dining-out people, as well as favorable government policies will continue to support the development of China's catering service market. In particular, the Group expects China's catering service industry to experience the following trends:

- *More supporting measures from the government to companies that provide for the basic needs* – After the promulgation of the Guidance on Accelerating the Development of Catering Service Industry for Common People by China's Ministry of Commerce in May 2014, the Group believes that the government will roll out more supporting measures for the catering service industry covering various aspects, including taxation, administrative procedures and fee.

- *Consolidation by restaurant chains* – China's catering service industry, particularly the QSR industry, is likely to be more consolidated by chained QSR with greater quality and reputation.

- *Increasing attention from the capital market* – As China's catering service industry experienced a strong growth in 2014, the global capital market is expected to show stronger interest in China-based restaurant operator. Large international restaurant operators also show increasing interest in Chinese- and Asian-style QSRs.

- *Challenges* – China's catering service industry also faces challenges including intensified competition in the same industry, rising food ingredients price, and increasing cost for labor and rent in first-tier cities.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's consolidated statement of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from 2013 to 2014:

	Year Ended 31 December				Year-on-Year Change
	2014		2013		
	RMB	*%*	*RMB*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**2,201,989**	**100.0**	**1,890,470**	**100.0**	**16.5**
Other income	**11,787**	**0.5**	13,505	0.7	(12.7)
Raw materials and consumables used	**(871,562)**	**(39.6)**	(817,548)	(43.2)	6.6
Staff cost	**(523,595)**	**(23.8)**	(399,312)	(21.1)	31.1
Property rentals and related expenses	**(283,809)**	**(12.9)**	(232,969)	(12.3)	21.8
Utilities expenses	**(93,230)**	**(4.2)**	(78,346)	(4.1)	19.0
Depreciation and amortization	**(91,716)**	**(4.2)**	(87,206)	(4.6)	5.2
Other expenses	**(164,811)**	**(7.5)**	(92,856)	(4.9)	77.5
Other gains and losses	**990**	**–**	(11,030)	(0.6)	–
Profit before tax	**186,043**	**8.4**	**184,708**	**9.8**	**0.7**
Income tax	**(44,850)**	**(2.0)**	(43,998)	(2.3)	1.9
Profit for the year	**141,193**	**6.4**	**140,710**	**7.4**	**0.3**
Earnings per share					
Basic (RMB cents per share)	**16.88**		17.05		
Diluted (RMB cents per share)	**16.76**		17.05		

Revenue

The Group's revenue increased by 16.5% from RMB1,890.5 million in 2013 to RMB2,202.0 million in 2014, primarily due to the increase in the number of the Group's restaurants from 394 as of 31 December 2013 to 452 as of 31 December 2014, as well as the same-store sales growth of 1.5% the Group recorded in 2014. The Group opened 86 new restaurants throughout China in 2014 to capture the growth in the fast casual restaurant market. Meanwhile, the Group continued to record same-store sales growth was driven primarily by (i) overall rising food ingredients prices in China; and (ii) the Group's efforts to further optimize its menu and product combination and continuously launch new products.

Other income

The Group's other income decreased by 12.7% from RMB13.5 million in 2013 to RMB11.8 million in 2014, primarily due to the decrease in interest income from short-term investments as the Group reduced its investments in short-term investment contracts. This is because the Company paid out dividends in the amount of RMB150.0 million (for the Group's profit for 2013) and RMB70.0 million (for the Group's profit for the six months ended 30 June 2014) in February 2014 and September 2014, respectively.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 6.6% from RMB817.5 million in 2013 to RMB871.6 million in 2014 as the scale of the Group's operations further increased, which included the number of the restaurants in the Group's network and the Group's system-wide sales. As a percentage of the Group's revenue, the Group's raw materials and consumables costs decreased from 43.2% in 2013 to 39.6% in 2014, primarily due to (i) an increase in the prices of the Group's menu items to reflect the general increase in food prices in China; (ii) the increase in sales of premium menu items with high profit margin as the Group continued to optimize its menus, adjust products combination and launch new products; and (iii) the Group's continued procurement cost control efforts.

Staff cost

The Group's staff cost increased by 31.1% from RMB399.3 million in 2013 to RMB523.6 million in 2014, primarily due to an increase in the number of the Group's employees from 10,739 as of 31 December 2013 to 13,282 as of 31 December 2014. As a percentage of the Group's revenue, the Group's staff cost increased from 21.1% in 2013 to 23.8% in 2014, primarily as a result of an increase in the average salary the Group paid. The increase in the Group's average salary was primarily due to the overall market trend in China. In addition, the Group commenced an incentive bonus system for the Group's restaurant staff in July 2013. In 2014, in connection with the pre-IPO share incentive plan adopted by the Company on 28 August 2009 (the "**Pre-IPO Share Incentive Plan**"), the Group incurred equity-settled share-based expenses of RMB12.1 million in 2014 (2013: nil).

Property rentals and related expenses

The Group's property rentals and related expenses increased by 21.8% from RMB233.0 million in 2013 to RMB283.8 million in 2014, primarily due to an increase in the number of the Group's restaurants. As a percentage of the Group's revenue, property rentals and related expenses remained relatively stable at 12.9% in 2014 as compared with 12.3% in 2013.

Utilities expenses

The Group's utilities expenses increased by 19.0% from RMB78.3 million in 2013 to RMB93.2 million in 2014 as the scale of the Group's operation in terms of number of restaurants continued to increase. As a percentage of the Group's revenue, utilities expenses remained relatively stable at 4.2% in 2014 as compared with 4.1% in 2013.

Depreciation and amortization

The Group's depreciation and amortization increased by 5.2% from RMB87.2 million in 2013 to RMB91.7 million in 2014, primarily due to an increase in the Group's property, plant and equipment as the Group continued to open new restaurants. As a percentage of the Group's revenue, depreciation and amortization decreased to 4.2% in 2014 from 4.6% in 2013.

Other expenses

The Group's other expenses increased by 77.5% from RMB92.9 million in 2013 to RMB164.8 million in 2014 as the Group's scale of operation continued to grow. As a percentage of the Group's revenue, the Group's other expenses increased from 4.9% in 2013 to 7.5% in 2014, primarily due to the expenses of RMB32.7 million the Group incurred in connection with the Group's initial public offering (the "**Global Offering**") in 2014. By comparison, the Group incurred expenses of RMB0.5 million in connection with the Global Offering in 2013.

Other gains and losses

The Group recorded other losses of RMB11.0 million in 2013, consisted primarily of foreign exchange loss, loss on closure of restaurants and the impairment loss on trade receivables the Group recorded. The Group recorded other gains of RMB1.0 million in 2014, primarily due to the Group's foreign exchange gain of RMB1.0 million and the reversal of impairment loss on trade receivables of RMB2.5 million. This is partially offset by the Group's loss on closure of restaurants.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by 0.7% from RMB184.7 million in 2013 to RMB186.0 million in 2014, and as a percentage of the Group's revenue, the Group's profit before tax decreased from 9.8% in 2013 to 8.4% in 2014.

Without taking into account the expenses the Group incurred in connection with the Pre-IPO Share Incentive Plan of RMB12.1 million (2013: nil) and the Global Offering of RMB32.7 million (2013: RMB0.5 million), the Group's profit before tax would have increased by 24.7% from RMB185.2 million in 2013 to RMB230.8 million in 2014, and increased from 9.8% in 2013 to 10.5% in 2014 as a percentage of the Group's revenue.

Income tax expense

The Group's income tax expenses increased by 1.9% from RMB44.0 million in 2013 to RMB44.9 million in 2014, primarily as due to the increase in the Group's taxable income. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, remained relatively stable at 24.1% in 2014 as compared with 23.8% in 2013.

Profit for the year

As a result of the cumulative effect of the above factors, the Group's profit for the year increased by 0.3% from RMB140.7 million in 2013 to RMB141.2 million in 2014, and as a percentage of the Group's revenue, the Group's profit for the year decreased from 7.4% in 2013 to 6.4% in 2014.

Without taking into account the expenses the Group incurred in connection with the Pre-IPO Share Incentive Plan of RMB12.1 million (2013: nil) and the Global Offering of RMB32.7 million (2013: RMB0.5 million), the Group's profit for the year would have increased by 31.8% from RMB141.2 million in 2013 to RMB186.0 million in 2014, and increased from 7.5% in 2013 to 8.4% in 2014 as a percentage of the Group's revenue. For further details, please refer to the section headed "Non-IFRS Measure – (b) Adjusted net profit" below.

Non-IFRS Measure

(a) Restaurant level operating profit

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group also uses restaurant level operating profit as an additional financial measure to evaluate the Group's financial performance at the restaurant level. Restaurant level operating profit is calculated by deducting raw materials and consumables cost and restaurant level staff costs, restaurant level rental and property related expenses, restaurant level depreciation and amortization and other restaurant level expenses from the Group's revenue.

The table below sets forth the Group's revenue breakdown by geographical regions, each presented as a percentage of the Group's total revenue for the years indicated, as well as the geographical breakdown of the Group's restaurant level operating profit, each presented as a percentage of the Group's regional revenue for the years indicated:

	Year Ended 31 December			
	2014		2013	
	RMB	*%*	*RMB*	*%*
	(In thousands, except for percentages)			
Revenue:				
Beijing	**1,525,380**	**69.3**	1,390,192	73.5
Shanghai	**214,815**	**9.8**	197,291	10.4
Tianjin	**155,154**	**7.0**	116,272	6.2
Other regions(1)	**306,640**	**13.9**	186,715	9.9
Total	**2,201,989**	**100.0**	1,890,470	100.0
Restaurant Level Operating Profit and Margin Performance(2)				
Beijing	**358,132**	**23.5**	317,995	22.9
Shanghai	**22,046**	**10.3**	3,225	1.6
Tianjin	**26,355**	**17.0**	21,444	18.4
Other regions(1)	**43,724**	**14.3**	23,159	12.4
Total	**450,257**	**20.4**	365,823	19.4

(1) Including 26 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi and Henan Provinces.

(2) Restaurant level operating profit is an unaudited non-GAAP item. The Group has presented this non-GAAP item because the Group considers it important supplemental measures of the Group's operating performance and believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies in the industry the Group operates in. The Group's management uses such non-GAAP item as an additional measurement tool for purposes of business decision-making. Other companies in the industry the Group operates in may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under IFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under IFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

In 2014, Beijing continued to be the Group's most important geographical market both in terms of restaurant count and revenue contribution. However, as the Group successfully expanded into additional markets, the Group's revenue generated from restaurants in Beijing decreased as a percentage of the Group's total revenue from 73.5% in 2013 to 69.3% in 2014.

As a result of the Group's efforts in optimizing its menu and products combinations and controlling its procurement costs and controlling its rental expenses for the restaurants, the growth in the Group's restaurant level operating profit outpaced the growth in the Group's revenue. As a percentage of the Group's revenue, the Group's restaurant level operating profit increased from 19.4% in 2013 to 20.4% in 2014.

(b) Adjusted net profit

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group also uses adjusted net profit as an additional financial measure to evaluate the Group's financial performance without taking into account certain unusual and non-recurring items. Adjusted net profit is calculated by deducting expense related to equity-settled share-based payments from the Group's staff costs and expenses related to the listing from the Group's other expenses. The table below sets forth the reconciliation of profit for the year to adjusted net profit:

	Year ended 31 December	
	2014	**2013**
	(In RMB thousands)	
Profit for the year	**141,193**	140,710
Equity-settled share-based payments	**12,125**	–
Listing expenses	**32,680**	450
Adjusted net profit	**185,998**	141,160

(1) Adjusted net profit is an unaudited non-GAAP item. The Group uses such unaudited non-IFRS adjusted net profit as an additional financial measure to supplement the consolidated financial statements which are presented in accordance with IFRS and to evaluate the financial performance of the Group by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the business of the Group. Other companies in the industry the Group operates in may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under IFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under IFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

Liquidity and capital resources

In 2014, the Group financed its operations primarily through cash from the Group's operations. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, as well as the net proceeds received from the Global Offering.

Cash and cash equivalents

As of 31 December 2014, the Group had cash and cash equivalents of RMB1,122.8 million as compared with RMB343.3 million as of 31 December 2013, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Hong Kong dollars (as to 72.2%), Renminbi (as to 27.3%) and U.S. dollars (as to 0.5%).

In view of the Group's currency mix, the Group currently does not use any derivative contracts to hedge against the Group's exposure to currency risk. The Group's management manages the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Net proceeds from the Global Offering (including the partial exercise of the over-allotment option on 9 January 2015), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering which the Company received amounted to an aggregate of approximately HK$1,043.5 million, comprising HK$1,001.5 million raised from the Global Offering and HK$42.0 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option. As of the date of this announcement, the net proceeds from the Global Offering had not yet been utilized and all of the net proceeds has been deposited into short-term demand deposits in the bank account maintained by the Group. In 2015, the Group will start utilizing the net proceeds from the Global Offering and for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 5 December 2014 (the "**Prospectus**").

Indebtedness

As of 31 December 2014, the Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection thereof.

Capital expenditures

The Group made payment for the capital expenditures representing the purchase of property, plant and equipment of RMB129.2 million in 2014 in connection with new restaurant opening. In 2013, the Group made capital expenditure of RMB118.5 million. The Group's capital expenditure in 2014 was funded primarily by cash generated from its operating activities. In particular, after considering the Group's restaurant opening planned, the Group funded the opening of 18 restaurants that the Group planned to fund with the net proceeds from the Global Offering with its existing cash instead. In 2014, the Group opened a total of 86 new restaurants. As of 31 December 2014, the Company did not have any charge over its assets.

Contingent liabilities and guarantees

As of 31 December 2014, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

In 2014, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Employee and staff cost

As of 31 December 2014, the Group had a total of 13,282 employees. In particular, 141 employees worked at the Group's food processing facilities, 998 are responsible for restaurant management and 11,576 are restaurant staff.

The Group offers competitive wages and other benefits to the Group's restaurant employees to manage employee attrition. The Group also offers discretionary performance bonus as further incentive to the Group's restaurant staff if a specific restaurant target is achieved. The Group's staff costs include all salaries and benefits payable to all the Group's employees and staff, including the Group's executive Directors, headquarters staff and food processing facilities staff.

For the year ended 31 December 2014, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB523.6 million, representing approximately 23.8% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 33,544,707 shares (representing approximately 3.15% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as at 31 December 2014. The Company has also adopted a restricted share unit scheme (the "**RSU Scheme**") on 28 November 2014 which became effective upon the Listing Date. As of 31 December 2014, no restricted share unit has been granted or agreed to be granted under the RSU Scheme. Further details of the Pre-IPO Share Incentive Plan, together with the details of the options granted under such scheme, will be set out in the section headed "Report of Directors" in the Company's 2014 annual report to be issued in due course.

Final Dividend

The Board recommends the payment of a final dividend of RMB0.047 per share (equivalent to HK$0.059 per share), amounting to approximately a total of RMB50.0 million for the year ended 31 December 2014 (the "**2014 Final Dividend**"), representing approximately 35% of our net profit for the year ended 31 December 2014. The 2014 Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**").

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended 31 December 2014 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

		For the year ended 31 December	
		2014	**2013**
	Notes	***RMB'000***	***RMB'000***
Revenue	*3*	**2,201,989**	1,890,470
Other income	*4*	**11,787**	13,505
Raw materials and consumables used		**(871,562)**	(817,548)
Staff costs		**(523,595)**	(399,312)
Property rentals and related expenses		**(283,809)**	(232,969)
Utilities expenses		**(93,230)**	(78,346)
Depreciation and amortization		**(91,716)**	(87,206)
Other expenses		**(164,811)**	(92,856)
Other gains and losses	*5*	**990**	(11,030)
Profit before tax	*6*	**186,043**	184,708
Income tax expense	*7*	**(44,850)**	(43,998)
Profit and total comprehensive income for the year attributable to owners of the Company		**141,193**	140,710
Earnings per share			
– basic (RMB cents per share)	*8*	**16.88**	17.05
– diluted (RMB cents per share)	*8*	**16.76**	17.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		As at 31 December	
		2014	**2013**
	Notes	***RMB'000***	***RMB'000***
Non-current assets			
Property, plant and equipment	*10*	**311,857**	271,919
Intangible assets		**2,679**	4,275
Lease prepayments for land use right		**23,544**	24,078
Deferred tax assets		**26,730**	17,503
Rental deposits		**39,413**	31,902
		404,223	349,677
Current assets			
Inventories		**122,545**	120,154
Trade and other receivables and prepayments	*11*	**32,600**	28,202
Bank balances and cash		**1,122,782**	343,306
		1,277,927	491,662
Current liabilities			
Trade payables	*12*	**113,822**	90,471
Accrual and other payables		**262,532**	170,447
Tax payables		**10,819**	21,831
Deferred income		**3,646**	2,798
		390,819	285,547
Net current assets		**887,108**	206,115
Total assets less current liabilities		**1,291,331**	555,792
Non-current liability			
Deferred income		**17,465**	18,375
Net assets		**1,273,866**	537,417
Capital and reserves			
Share capital	*13*	**171**	136
Share premium		**970,769**	171,673
Reserves		**302,926**	365,608
Total equity		**1,273,866**	537,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the main board of The Stock Exchange of Hong Kong Limited ("**the Stock Exchange**") on 17 December 2014. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company and the Group is principally engaged in Chinese hotpot restaurant operations in the PRC.

The Company's immediate holding company is Ying Qi Investments Limited (incorporated in the British Virgin Islands), and its ultimate controlling party is Mr. Ho Kuang-Chi, who is also the Chairman of the Company.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company. The consolidated financial statements have been prepared in accordance with IFRSs.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current and prior year, the Group has applied all the IFRSs which are effective for the Group's financial year beginning on 1 January 2014.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except for those as stated below, the adoption of these new and revised IFRS is not expected to have material impact on the results and the financial position of the Group.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments:

Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of IFRS 9 will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's financial instruments reported at the end of the year.

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

The Directors anticipate that the application of other new and revised IFRSs will have no material impact on the results and financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

During the year, the Group's revenue which represents the amount received and receivable from the operation of restaurant net of discount and sales related taxes, are as follows:

	For the year ended 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Restaurant operations	**2,201,989**	1,890,470

Information reported to the executive directors of the Company, who are identified as the chief operating decision maker (the "**CODM**") of the Group, in order to allocate resources and to assess performance, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

All of the Group's operations are located in the PRC. The Group's revenue from external customers and all of its non-current assets are located in PRC based on geographical location of assets.

No revenue from individual external customer contributing over 10% of total revenue of the Group.

4. OTHER INCOME

	For the year ended 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Interest income on:		
– bank deposits	**1,347**	1,471
– short-term investments	**1,996**	3,766
	3,343	5,237
Promotion service income	**2,290**	2,665
Government grant		
– subsidy received *(Note i)*	**2,086**	3,140
– release from deferred income	**910**	910
	2,996	4,050
Others	**3,158**	1,553
	11,787	13,505

Note:

(i) The amounts represent the subsidy received from the local government for the Group's local business development. There were no unfulfilled conditions in the year in which they were recognized.

5. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Loss on disposal of property, plant and equipment, net	**(191)**	(379)
Loss on intangible assets written off	**–**	(859)
Foreign exchange gain (loss), net	**966**	(2,068)
Loss on closure of restaurants	**(915)**	(2,904)
Impairment loss on trade receivables	**–**	(4,635)
Reversal of impairment loss on trade receivables	**2,455**	–
Impairment loss on rental deposit	**(1,325)**	(185)
	990	(11,030)

6. PROFIT BEFORE TAX

The Group's profit for the year has been arrived at after charging:

	For the year ended 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Depreciation of property, plant and equipment	**88,861**	84,521
Amortization of intangible assets	**2,321**	2,151
Release of lease prepayments for land use right	**534**	534
Total depreciation and amortization	**91,716**	87,206
Operating lease rentals in respect of		
– rented premises (minimum lease payments)	**9,297**	5,435
– restaurants		
– minimum lease payments	**244,071**	197,297
– contingent rent *(Note i)*	**30,441**	30,237
	274,512	227,534
Total property rentals and related expenses	**283,809**	232,969
Directors' emoluments	**12,273**	3,661
Other staff cost		
Salaries and other allowance	**468,496**	354,859
Equity-settled share-based payments	**6,649**	–
Retirement benefit contribution	**36,177**	40,792
Total staff costs	**523,595**	399,312

Note i: The contingent rent refers to the operating rentals based on pre-determined percentages to revenue less minimum rentals of the respective leases.

7. INCOME TAX EXPENSE

	For the year ended 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Enterprise income tax ("**EIT**")		
Current tax in the PRC	**43,415**	37,292
Withholding EIT-current year	**10,662**	9,229
Deferred tax	**(9,227)**	(2,523)
Total income tax recognized in profit or loss	**44,850**	43,998

The Company is tax exempted company incorporated in the Cayman Islands.

The Company's subsidiary incorporated in Hong Kong is subject to the Hong Kong Profits Tax at 16.5% on estimated assessable profit and no taxable profit derived from Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. ("**Xiabu Hong Kong**") for the years ended 31 December 2014 and 2013. Under the Law of the PRC on Enterprise Income Tax ("**EIT Law**") effective from 1 January 2008 and Implementation Regulation of the EIT Law, the statutory EIT rate of PRC subsidiaries of the Company is 25%.

Further, in the PRC, 10% withholding income tax is generally imposed on the assessable profits earned by foreign investors from the foreign investment enterprises established in the PRC from 16 September 2008 onwards. During the year ended 31 December 2014, Xiabu Hong Kong recognized taxable royalty income determined with reference to revenue earned by the PRC subsidiary and interest income from a PRC subsidiary, and the corresponding amounts of which are deductible expenses for the PRC subsidiary. Such royalty income and the interest income are subject to withholding tax of 10% during the years ended 31 December 2014 and 2013.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is as following:

	For the year ended 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Earnings		
Profit for the year attributable to owners of the Company	**141,193**	140,710
Less: Undistributed earnings attributable to convertible preferred shares	**(61,055)**	(63,977)
Earnings for the purpose of basic earnings per share	**80,138**	76,733
Add: Undistributed earnings attributable to convertible preferred shares	**61,055**	63,977
Earnings for the purpose of diluted earnings per share	**141,193**	140,710

The weighted average number of ordinary shares for the purpose of basic earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of diluted earnings per share as follows:

	For the year ended 31 December	
	2014	**2013**
	'000	***'000***
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**474,837**	450,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**3,883**	N/A
Outstanding over-allotment option	**1,867**	N/A
Convertible preferred shares	**361,760**	375,196
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**842,347**	825,196

The calculation of diluted earnings per share for the year ended 31 December 2013 has not considered the share options granted which were contingently issuable shares with multiple conditions that had not been met up.

9. DIVIDENDS

	For the year ended 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Dividends recognized as distributions during the year	**220,000**	–

On 17 January 2014, the Company declared a dividend of RMB0.1808 per ordinary share and per convertible preferred share with total dividends of RMB150,000,000 to shareholders of ordinary and convertible preferred shares for the year ended 31 December 2013. The dividend was paid in February 2014.

On 11 September 2014, the Company declared a dividend of RMB0.0846 per ordinary share and per convertible preferred share with total dividends of RMB70,000,000 to shareholders of ordinary and convertible preferred shares for the six months ended 30 June 2014. The dividend was paid in September 2014.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of RMB0.047 per share, amounting to approximately RMB50,000,000, has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming general meeting. The dividend has not been included as a liability in these consolidated financial statements.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2014, the Group purchased property, plant and equipment at a total cost of RMB129,174,000 (2013: RMB117,154,000).

During the year ended 31 December 2014, property, plant and equipment with a net book value of RMB375,000 (2013: RMB718,000) were disposed.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Trade receivables	**9,122**	11,444
Less: allowance for doubtful debts	**(2,180)**	(4,635)
	6,942	6,809
Prepaid operating expenses	**20,464**	16,129
Prepayments to suppliers	**590**	320
Current portion of lease prepayments for land use right	**534**	534
Other receivables	**4,070**	4,410
	32,600	28,202

Generally, there was no credit period for sales from operation of restaurant, except for collection from certain shopping malls for which the credit terms provided are ranging from 60 to 180 days. The following is an aged analysis of trade receivables presented based on the invoice date:

	As at 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Within 60 days	**3,363**	4,789
61 to 180 days	**268**	636
181 days to 1 year	**903**	1,384
Above 1 year	**2,408**	–
	6,942	6,809

12. TRADE PAYABLES

Trade payables are non-interest bearing and are normally granted on 60-days credit term. An aged analysis of the Group's trade payables, as at the end of each year, based on the goods received date, is as follows:

	As at 31 December	
	2014	**2013**
	RMB'000	***RMB'000***
Within 60 days	**101,933**	88,384
61 to 180 days	**10,703**	1,719
181 days to 1 year	**207**	118
Over 1 year	**979**	250
	113,822	90,471

13. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December	
	2014	**2013**
	USD'000	***USD'000***
Share capital of US$0.000025 each	**27**	21
	RMB'000	***RMB'000***
Presented as:		
Ordinary shares	**171**	77
Convertible preferred shares	**–**	59
	171	136

	As at 31 December	
	2014	**2013**
	'000	***'000***
Number of shares:		
Fully paid ordinary shares	**1,054,364**	450,000
Fully paid convertible preferred shares	**–**	377,264
	1,054,364	827,264

13.1 Ordinary shares

	Authorized shares		Issued capital	
	Number of shares	Amount	Number of shares	Amount
	'000	*RMB'000*	*'000*	*RMB'000*
Balance at 1 January 2013	1,634,906	279	450,000	77
Cancellation of authorized ordinary shares in exchange of newly issued convertible preferred shares *(Note i)*	(12,170)	(2)	–	–
Balance at 31 December 2013	1,622,736	277	450,000	77
Increase in authorised capital and conversion from convertible preferred shares *(Note ii)*	377,264	57	377,264	59
New issue of shares to the public *(Note iii)*	–	–	227,100	35
Balance at 31 December 2014	2,000,000	334	1,054,364	171

13.2 Convertible preferred shares

	Authorized shares		Issued capital	
	Number of shares	Amount	Number of shares	Amount
	'000	*RMB'000*	*'000*	*RMB'000*
Balance at 1 January 2013	365,094	57	365,094	57
Increase of authorized capital and issue of shares *(Note i)*	12,170	2	12,170	2
Balance at 31 December 2013	377,264	59	377,264	59
Conversion to ordinary shares and cancellation of authorised capital *(Note ii)*	(377,264)	(59)	(377,264)	(59)
Balance at 31 December 2014	–	–	–	–

The convertible preferred shares, which had a par value of US$0.000025 each, contain same voting right, right to dividend and right to share of net assets at liquidation as holders of ordinary shares except for preference at liquidation including distribution in priority with minimum return, details of which are set out in sub-note 2 below. Convertible preferred shares, in whole or in part, can be converted into ordinary shares on a one-for-one basis and are convertible at any time after the date of issuance of the shares. In accordance with the Articles of Association of the Company:

1) If the Company is not successful in an initial public offering and listing of ordinary shares of the Company on the Main Board of the Stock Exchange ("**Qualified IPO**") has not been consummated by the fifth anniversary of the date of the shareholders agreement on 23 November 2012 (the "**Agreement**"), the convertible preferred shares could be sold to the ordinary shareholders with a transfer price to be negotiated during the exit process. If no agreement is reached between the ordinary shareholders and preferred shareholders within an agreed period as specified in the Agreement, the convertible preferred shares could be sold to independent third parties;

2) Upon any liquidation, prior to any distribution or payment to the holders of any ordinary shares, the holder of the convertible preferred shares shall be entitled to receive, with respect to each convertible preferred share, an amount equal to the greater of (i) the sum of the liquidation preference amount, which is calculated based on the investment amount plus a compound annual income equivalent to 7% of such investment amount less any dividend (or other cash distribution) received, and (ii) the amount that such holder of convertible preferred shares would have been entitled to receive, with respect to such convertible preferred shares, if such convertible preferred shares had been converted into ordinary shares (the "**Liquidation Payment**"). After the holder of the convertible preferred shares have been paid the Liquidation Payment in full, the holder of the convertible preferred shares shall not be entitled to any further participation in any distribution of assets of the Company.

Notes:

(i) On 8 February 2013, General Atlantic Singapore Fund Pte. Ltd. ("**GASF**") entered into a sales and purchase agreement with Elite Century Capital Limited ("**Elite**") to transfer 24,339,622 convertible preferred shares of the Company to Elite owned by GASF. On the same date, Elite entered into a share subscription agreement with the Company to subscribe for 12,169,812 convertible preferred shares. On 4 March 2013, pursuant to a special resolution passed, the Company re-designated 12,169,812 authorized but unissued ordinary shares into 12,169,812 convertible preferred shares. On the same date, a total of 12,169,812 convertible preferred shares with par value of US$0.000025 each were issued for cash to Elite at a consideration of US$5,000,000 (approximately equivalent to RMB31,304,000).

(ii) Pursuant to a board meeting held on 28 November 2014, all the convertible preferred shares were converted into ordinary shares of the Company (the "**Shares**") on a one-for-one basis upon the listing of the shares on the Main Board of the Stock Exchange on 17 December, 2014 and that the 377,264,152 Shares resulting from the conversion have all the rights pertaining to the Shares and rank pari passu in all respects with the existing Shares in issue. In addition, the Company re-designated all 377,264,152 authorized but unissued convertible preferred shares into 377,264,152 ordinary shares on the same date.

(iii) On 17 December 2014, 227,100,000 ordinary shares with par value of US$0.000025 each of the Company were issued at HK$4.70 by way of placing and public offer. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Save for the Company's initial public offering as described in the Prospectus, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2014.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommends the payment of the 2014 Final Dividend of RMB0.047 per share for the year ended 31 December 2014 and is subject to the approval of the Company's shareholders at the forthcoming AGM, which will be held on 19 May 2015. Adopting an exchange rate of HK$1 = RMB0.7889, the 2014 Final Dividend is equivalent to HK$0.059 per share.

The register of members of the Company will be closed from 15 May 2015 to 19 May 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on 19 May 2015, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 14 May 2015.

Subject to the approval of the declaration of the 2014 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from 26 May 2015 to 28 May 2015 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 2014 Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 22 May 2015. The 2014 Final Dividend, if approved by the Company's shareholders at the AGM, will be paid on or about 18 June 2015 to those shareholders whose name appear on the register of member of the Company on 28 May 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period commencing from the Listing Date to 31 December 2014, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the period commencing from the Listing Date to 31 December 2014.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises two independent non-executive Directors, namely, Ms. Hsieh Lily Hui-yun and Mr. Hon Ping Cho Terence and a non-executive Director, namely Mr. Wei Ke. Ms. Hsieh Lily Hui-Yun is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2014.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.xiabu.com). The annual report will be despatched to the shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board of
Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
Ho Kuang-Chi
Chairman

Hong Kong, 18 March 2015

As at the date of this announcement, the Board comprises Mr. HO Kuang-Chi and Ms. YANG Shuling as executive Directors; Ms. CHEN Su-Yin and Mr. WEI Ke as non-executive Directors; and Ms. HSIEH Lily Hui-yun, Mr. HON Ping Cho Terence and Ms. CHEUNG Sze Man as independent non-executive Directors.