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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

Environmental, Social and Governance Report 2016

# **About This Report**

#### **O**Reporting Period

This report covers the period from 1 January 2016 to 31 December 2016, with some information and figures tracing back to earlier years beyond the stated reporting period.

#### O Publication Cycle

This report is an annual report published annually.

#### Organizational Scope

For information regarding the reporting scope, please refer to the organizational structure chart of Xiabuxiabu Catering Management (China) Holdings Co., Ltd..

#### Compilation Guidelines

The report has been prepared with reference to the "Environmental, Social and Governance Reporting Guide" (the "ESG Guide") issued by the Hong Kong Stock Exchange, as well as the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) and the disclosure requirement under the supplemental guidelines for food processing industry thereof. The report meets the internationally accepted disclosure standards for sustainability or corporate social responsibility report.

#### O Data Source

All the data in the report are derived from the official documents and statistical reports of Xiabuxiabu Catering Management (China) Holdings Co., Ltd..

#### O Reference

In order to facilitate the presentation and reading, the words "Xiabuxiabu", "the Company" or "we" in this report refer to "Xiabuxiabu Catering Management (China) Holdings Co., Ltd.". Unless otherwise specified, the currency unit "Yuan" used in the report refers to "RMB".

#### O Access to the Report

The electronic version of the report is available at the Company's website (http://www.xiabu.com/) and the website of The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk).

This report is published in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.



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## Chairman's Message

#### Ho Kuang-Chi Chairman

In 2016, changes in customer bases brought about reform of catering categories and application of new technologies led to innovation in business mode, which resulted in intensified competition in the catering industry. Facing an external environment where opportunities coexist with challenges, we were determined to forge ahead and accelerate reform. During the year, we continued business expansion based on our existing services and extended our footprint into a number of new cities such as Yinchuan (Ningxia), Hohhot and Wuhai (Inner Mongolia), Sanmenxia (Henan), Binzhou (Shandong), Qiqihar, Jiamusi and Mudanjiang (Heilongjiang) and Yanji (Jilin), further improving our brand awareness and market shares. We innovatively launched a new brand " Coucou" during the year, which represents a perfect fusion of Taiwan style hotpot and tea drinks. In this year, Xiabu Delivery Business Unit, an independent branch, formed Xiabu Food Company. The above changes offer Xiabuxiabu greater potential for development. As of the end of 2016, we had a total of 639 restaurants, with an income of RMB2,758,137,000, representing a year-on-year increase of 13.8%. Restaurant level operating profit was RMB639,830,000, representing a year-on-year growth of 29.2%.

As a corporate citizen, while maintaining a high-speed development, we are also committed to our social responsibility, making continuous efforts to promote food safety, energy conservation and environmental protection, employee development, social public welfare and etc.

As the key to the existence of a catering company, food safety is fundamental to our business philosophy that "high quality derives from persistent efforts", which is instilled into each and every aspect of daily operation covering supplier selection, base and laboratory construction, QC team building and restaurant management. To better guide and ensure the implementation of food safety, we set up the Food Safety Committee and sought for advice from overseas experts, with the hope to come up with better proposals in light of the actual internal businesses.

For environmental protection and energy conservation and carbon reduction, we strive to minimize the impact of business operations on the environment. On one hand, efforts have been made to strengthen the management of



# Chairman's Message

energy and resources utilization and emissions in the process of operation. We engage qualified third party companies for kitchen wastes collection, continue the optimization and updating of technology and equipment, use energy-saving and ecofriendly lights and induction cookers and phase out disposable chopsticks. On the other hand, we have been vigorously promoting green office and fully launching the office system. In 2016, we installed 16,000 more energy-efficient induction cookers at 180 restaurants, saving a total of 1.4016 million kWh of electricity annually, equivalent to reduction of about 1,000 tonnes in greenhouse gas emission.

Employees are key resources of an enterprise. We have always attached great emphasis to the development and training of employees. A fair and proper promotion mechanism has been established, and tailored training programs are developed based on the characteristics of the employees to be trained. We offer employees care and love, and extend warmth and support to the seriously sick employees to help them get through the difficulties. Xiabuxiabu cultural and sports activities and skill competitions are held to promote a healthy work-life balance. As of the end of 2016, we had a total of 15,544 employees, and had organized 68 professional, management and new employee trainings for a total of 4,427 hours with 504 participants. Our efforts have won us external recognitions. In 2016, the Company was awarded the titles of "Top Employers China 2016 – Top 10 Catering Brands in China" and "Top Employers China 2016 – China Top 100 Employers" granted by 58HRG.

With a thankful heart, we take an active part in social welfare activities, doing our bit to make contributions to the society. We proactively participate in community development and public welfare activities, making donations for the dropout students, canteen facilities of disadvantaged schools and the disaster areas, with the ambition to become an essential part to the construction of a harmonious society like the existence of the sun, air and water.

Great accomplishments require great ambitions and tireless efforts. In 2017, Xiabuxiabu will stick to the business philosophy of "giving top priority to the core benefits of the customers" and continue to enhance the value-creating capability of the Company, so as to create more value for the stakeholders.



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#### **1.1 Company Profile**

The brand "Xiabuxiabu" owned by Xiabuxiabu Catering Management (China) Holdings Co., Ltd. was created in 1998 in Beijing. The word "Xiabuxiabu" is originated from Minnan dialect, which means shabu-shabu or mini hotpot. Since its establishment, the Company pioneered the business mode of stylish bar-style mini hotpot by creatively combining the distinctive bar-style cuisine with the traditional hotpot culture. On 17 December 2014, Xiabuxiabu Catering Management (China) Holdings Co., Ltd. was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 520), which was titled as the "pioneer listing of the hotpot chain stores" by the industry.

As of the end of 2016, Xiabuxiabu owned and operated 639 restaurants in 57 cities over 13 provinces (including the centrally administered municipalities) in China. Upholding the management philosophy of "developing business in new regions and increasing presence in mature markets", the Company continues to explore new markets and optimize site selection in 2016. In Northern China, the Company opened 100 new restaurants, with over 50% of the restaurants being jointly operated with major commercial partners, including 18 restaurants jointly run with Wanda. Meanwhile, the Company successfully penetrated into the Northwestern and Northeastern regions, extending its footprint into a number of new cities such as Yinchuan, Wuhai, Sanmenxia, Hohhot, Binzhou (Shandong), Mudanjiang, Yanji, Qiqihar and Jiamusi, further improving its brand awareness and market shares.

Over the past 18 years, the Company has been committed to the business philosophy of "giving top priority to the core benefits of the customers" and worked hard to implement this concept. Since 2009, the Company has been recognized as the "Top 100 Restaurant Brands in China" every year. The Company has also been awarded a number of titles such as "Top 10 Business Brands in Beijing", "Top 10 Restaurant Brands in Beijing" and "Top 50 Catering Enterprise (Group) in Beijing" for six consecutive years since 2011.



#### **Historic Milestones**

The first restaurant of Xiabuxiabu – the Pearl Restaurant at Xidan, Beijing was opened.

1999

# 2000-2009

**TI O** 

Xiabuxiabu entered into the rapid development stage and gained financial support from Actis (a global emerging market private equity fund), and was ranked as one of the top 100 restaurant brands in China. Xiabuxiabu entered into Shanghai market.

2010

# 1998

喃呷哺

The brand "Xiabuxiabu" was created, and the bar-style mini hotpot cuisine was introduced to Mainland China. Xiabuxiabu Catering Management (China) Holdings Co., Ltd. was successfully listed on the main board of The Stock Exchange of Hong Kong Limited.

2014

# About Us



# 2015-2016

Xiabuxiabu continued to expand at a fast pace.

# 2011-2013

Xiabuxiabu expanded business presence in many cities across the country rapidly and formed strategic partnership with General Atlantic L.L.C., with a total of over 400 restaurants, becoming one of the major chain catering enterprises in China.

Xiabuxiabu Catering Management (China) Holdings Co., Ltd. 07

#### **1.2 Corporate Governance**

Xiabuxiabu places great emphasis on long-term development and is always prepared for the potential challenges ahead by taking effective measures to control risks while maintaining high-speed growth. The Company constantly enhances corporate governance, and strives to be transparent and uncorrupt. The Company strictly complies with the national laws and regulations as well as the relevant systems and rules, and conducts business in a compliant and honest manner. Efforts have been made to maintain fair market competition, safeguard the legitimate rights and interests of the consumers and public welfare, and promote sustainable development of the Company.

#### **Compliance Operation**

• Xiabuxiabu strictly complies with the Companies Law of the People's Republic of China, the Law of the People's Republic of China on Securities, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the relevant regulations of the domestic and overseas securities regulatory authorities. The Company makes great efforts to optimize its corporate governance structure and improve its corporate governance standard, with an aim to achieve a coordinated development between company business and shareholders' interests;

• Xiabuxiabu strictly carries out review, audit and supervision works. The Company also recruits legal workers and takes measures to protect the rights and interests of the employees. All economic contracts, systems and regulations as well as major operation decisions shall be subject to law compliance review.

#### **Risk Management**

**O Risk system:** In order to guide and regulate the risk management of the Company, the Internal Control Basic Rules (tentative) was formulated to clarify the risk management regime, positions and their respective responsibilities as well as the relevant methods and measures etc.;

**O Risk regime**: Xiabuxiabu has established a rational risk management regime and management mode, which are designed to manage the major risk exposures faced by the Company, especially tackling and controlling certain significant risks;

**O Risk identification**: The Internal Control Department of the Company identifies significant risks on a quarterly basis according to the development goals, major operation activities and business procedures, major issues encountered in its operation during the previous years and the significant risks faced by the Company in the previous years;

**O Risk assessment**: The Internal Control Department of the Company carries out quarterly assessment in terms of the likelihood and the impacts of the identified significant risks on the achievement of company goals, and will sort out such risks and report the same to the management, enabling the Company to rationally allocate its resources to cope with such risks. 153 risks have been identified and reported to the management during 2016, which helped to further improve the risk database of the Company;

• **Risk mitigation:** Risk response plan shall be formulated by risk owners against the significant risks identified. Upon completion of implementation of such plan, the risk owners shall summarize the implementation of such plan to the management;

**O Risk control**: From the perspectives of risk warning and internal audit, Xiabuxiabu implements risk control focusing on development, engineering, assets, market, finance, legal affairs, quality control and other business processes, so as to enable the Company to promptly identify any significant risks and take remedial measures.

#### **Anti-corruption**

**O** Xiabuxiabu strictly complies with the national laws and regulations and the relevant rules of the Company, and pushes ahead construction of its own anti-corruption system. The Company has established the independent risk-oriented internal control system that provides for the separation of decision-making, execution and supervision. The Company identifies fraud risks, carries out investigation on issues reported, and has zero tolerance towards corruption and fraud with an approach of prevention first and complementary with cracking-down efforts;

**O** The Company has formulated the Guidelines on Whistle-blowing Policy, designated an anti-fraud supervision official within the Internal Control Department, and encourages all staff to participate in the supervision by setting up Chairman's complaint mailbox and complaint mailbox at the official company website, complaint hotline and other channels, enabling them to identify and report the defects in our internal operation and defaults, so as to effectively prevent bribery, fraudulence, corruption and other illegal operation activities. No legal proceedings were filed in relation to corruption cases during 2016;

**O** The Company organizes education on anti-corruption, strengthens preventive measures against corruption and enhances the awareness of integrity among the staff. The new employees will all have to learn and receive the Staff Manual and the Code of Business Ethics and Conduct during their induction training. Four business ethics trainings were held at the headquarter level during the whole year with a total of 120 participants.

**O** All contracts entered into with each supplier contain provisions regarding anti-commercial bribery. The Company also conducts integrity interview with each staff of the Procurement Department, and assists the Procurement Department to change the mobile phone numbers of all staff of the department. The procurement costs for 2016 were significantly reduced.



## 1.3 An Overview of Xiabu



Revenue of RMB2,758,137,000



A year-on-year growth of 13.8% in revenue



Restaurant level operating profit of RMB639,830,000



A year-on-year growth of 29.2% in restaurant level operating profit



Operating restaurants in 58 cities over 11 provinces and 2 autonomous regions as well as three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China



Operating a total of 639 restaurants as of the end of 2016





 Top 10 Restaurant Brands in Beijing awarded by China Cuisine Association in 2016



• Top 100 Restaurants Brands in China awarded in 2016



 Gold Prize of the Top 10 Business Brands in Beijing – Ding

unit



• Top 50 Hotpot Brands awarded by China Cuisine Association in 2016



• Top 50 Hotpot Brands in China awarded by China Hotel Association in 2016



• 2015 Top 10 Restaurant Brands in Beijing (hotpot category) awarded in 2016



 Certificate of Enterprise Credit Grade issued by China Cuisine Association in 2016



• Top 10 Hotpot Brands in China awarded by China Hotel Association in 2016



• 2015 Top 10 Hotpot Brands awarded by China Cuisine Association in 2016



• 2016 Outstanding Hotpot Brand awarded by China Cuisine Association



• 2016 Top 10 Hotpot Brands in China awarded by China Hotel Association

chairman unit



chairman unit

council unit

# **1.4 Stakeholder Communication**

Stakeholders	Communication mode	Expectations and aspirations	Our response
Government and regulatory authorities	<ul> <li>Daily communication;</li> <li>Submission of information;</li> </ul>	<ul> <li>Compliance operation;</li> <li>Stringent internal control and risk management;</li> </ul>	<ul> <li>Contemporate governance;</li> <li>Fulfilling tax obligations;</li> <li>Strengthening security management;</li> </ul>
Investors	<ul> <li>Regular information disclosure;</li> <li>General meetings;</li> <li>Daily communication;</li> <li>Official website;</li> </ul>	<ul> <li>Satisfactory operating results;</li> <li>Sustained and steady growth;</li> <li>Operation with integrity and transparency;</li> </ul>	<ul> <li>Constantly improving our ability to create value;</li> <li>Strengthening risk management of the Company;</li> <li>Promoting transparent and open information disclosure;</li> <li>Enhancing investor management;</li> </ul>
Consumers	<ul> <li>Complaint hotline;</li> <li>Customer satisfaction survey;</li> </ul>	<ul> <li>Food safety;</li> <li>Efficient and quality service;</li> <li>Nutritious, healthy and diversified product mix;</li> <li>Sub-brand building;</li> </ul>	<ul> <li>Implementing strict control over food procurement;</li> <li>Adopting direct distribution approach;</li> <li>Elaborately preparing ingredients;</li> <li>Optimizing dining environment;</li> <li>Safeguarding consumers' rights and interests;</li> </ul>
Environment	<ul> <li>Advocating the concept of environmental protection;</li> <li>Adhering to the strategy of sustainable development;</li> </ul>	<ul> <li>Supporting energy conservation and emission reduction, and promoting low- carbon lifestyle;</li> <li>Emission of green-house gas;</li> <li>Disposal of kitchen wastes;</li> <li>Energy and resource conservation;</li> <li>Sticking to the strategy of green and sustainable development;</li> </ul>	<ul> <li>Promoting environment-friendly and low-carbon operation of restaurants;</li> <li>Upgrading natural gas stoves;</li> <li>Strictly managing treatment of kitchen wastes;</li> <li>Advocating the concept of green office;</li> </ul>
Employees	<ul> <li>Training exchange;</li> <li>Performance management mechanism;</li> <li>Internal publication promotion platform;</li> </ul>	<ul> <li>Protecting the legitimate rights and interests of the employees;</li> <li>Remuneration and benefits;</li> <li>Providing fair and equal employment opportunities;</li> <li>Providing diversified development and promotion opportunities;</li> </ul>	<ul> <li>Implementing fair recruitment practice;</li> <li>Providing diversified training and study programs;</li> <li>Providing smooth career development path;</li> <li>Organizing staff activities to promote a healthy work-life balance;</li> </ul>
Suppliers and business partners	<ul> <li>Supplier assessment;</li> <li>Cooperation agreements;</li> <li>Regular visits;</li> </ul>	<ul> <li>Fair procurement policy and fulfillment of promises;</li> <li>Ensuring food quality and safety;</li> <li>Local procurement;</li> </ul>	<ul> <li>Enhancing procurement management;</li> <li>Implementing "farm-to-table" project;</li> <li>Implementing fair and open procurement;</li> </ul>
Community	<ul> <li>Community activities;</li> <li>Community services;</li> </ul>	<ul> <li>Promoting safety compliance operation;</li> <li>Organizing activities for community charity to promote community harmony;</li> <li>Promoting green operation;</li> </ul>	<ul> <li>Opening community restaurants;</li> <li>Enhancing restaurant safety management;</li> <li>Organizing public welfare activities;</li> </ul>

#### **1.5 Substantive Issues Analysis**

The Company has established its social responsibility regime, where the Board of Directors, senior management, the Public Affairs Department and all departments work in conjunction playing the role of leading, overseeing, coordinating and implementing respectively. The Company proactively promotes communication with the stakeholders by establishing diversified communication channels. The Company identified major issues of Xiabuxiabu by sorting out such issues based on their respective impacts on the stakeholders and the Company.



茶飲外帶區

In modern cities, having dinner means much more than satisfying our desires for food, it also provides a good opportunity to enhance emotional interaction with friends and families and to carry out communication with business partners. Based on its original classic model of "choose your own pot", Xiabuxiabu launched a new creative brand "Coucou" in 2016, with an aim to meet increasing demand for high-end casual dining experience. Coucou restaurants aim to lead the trend of hotpot 3.0 by exploiting hotpot culture and emotional elements and creating a unique Taiwan-featured cultural style based on its quality products, unique flavours and supreme services.

# **•** A comprehensive solution for get-togethers.

As a new sub-brand of Xiabuxiabu, Coucou restaurants remain engaged in the hotpot business, adopting a novel trend-setting business pattern. Based on its quality products, unique flavours and supreme services, Coucou further exploits hotpot culture and emotional elements, in an effort to provide customers with an environment featuring a perfect fusion of culture and delicious cuisine for get-togethers. On the one hand, Coucou has always pursued for high-quality and fresh dishes, bringing double enjoyment in both sight and taste and also a feast of culture for the customers. On the other hand, a Taiwan-based famous catering design studio was engaged for the interior design of Coucou restaurants which features the new Chinese style, with an aim to provide customers with a comfortable environment for relaxing and gathering. The dining tables separated by dividers are suitable for small groups of friends, family and business dinners, ensuring privacy and space efficiency, which provides a comprehensive solution for friends, family and business gatherings in urban cities.



独特、厚味老道、同味悠长。



#### Diversified catering services by combining hotpot cuisine and tea culture.

Hotpot represents a favourite choice for family and friends get-togethers, while tea drinks are requisite for causal gatherings. The combination of both types of business produces the effect of "1+1>2". The Coucou restaurants provide hand-shaken tea drinks originated from Taiwan at the Coucou tea stands at the entrance of Coucou restaurants. All the tea drinks, which were developed based on decades of dedication and experience of the development team, artfully blend the flavors of caramel and tea. The bold fusion and exploration of the Coucou hotpot and tea intends to bring new meanings to hotpot: while offering delicious hotpot cuisine, we also exploit the cultural implication, means for social gathering and concept of health behind hotpot. By using the "Internet+" technique, we upgrade a spending behavior like tasting hotpot to an enjoyment featuring a sense of cultural rituals.



1 \* Valueabu La Barra Management (China) Holdings Co., Ltd.

#### Culture integration and inheritance.



In addition to provision of tasty and healthy hotpot and tea drinks, Coucou integrates Chinese traditional culture with dining details to deliver both delicious food and culture. Coucou restaurants offer Chinese traditional tea, in an effort to spread Chinese tea culture. At the same time, the name "Coucou" is derived from Shuowen Jiezi and Guangyun. The word "Cou" means gatherings on the waters in its literal sense. The integration of culture is represented by the Chinese garden design of Coucou restaurants, and is also instilled into every dining detail. Unlike the commonly-used pots, the pots used in the restaurants are in the shape of "ding" which is finalized based on the 19 versions created by a Taiwan cultural and creative master. According to Han Shi Wai Zhuan, in ancient times, on the occasions of worship ceremony or celebration events, people used to toll bells and arrange dings for dinners, namely people would sit around the ding and share the beef, mutton and other food cooked in the ding, which is believed to be the origin of hotpot.

Coucou restaurants cater to customers' comprehensive dining and emotional communication demands with novelty, considerateness and high quality from taste 1.0 to service 2.0 and hotpot 3.0 featuring innovative environment design and optimized consumption experience. Working together with the neighbouring commercial complexes, we aim to develop into the favourite choice of urbanites for leisure and living.

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#### The first Coucou restaurant – Sanlitun restaurant

Coucou Sanlitun restaurant is located on the third floor, Topwin Center, South Sanlitun Road, a CBD area on East Third Ring Road of Beijing that is an attraction for young generation. As the first Coucou restaurant in Beijing, it has made tremendous efforts to create a youthful and stylish dining atmosphere for consumers. Sanlitun restaurant has been in operation for over a year, and pioneered in launching the innovative catering business model of "hotpot + tea", which has become a huge success and is well accepted and welcomed by

business model of "hotpot + tea", which has become a huge success and is well accepted and welcomed by consumers. Due to the buoyant business, there is always a long queue at the rush hours during dinner time. Either its spicy hotpot originated from Taiwan or the Dahongpao bubble tea originated from the capital, makes overwhelming impression on its customers after their first taste.



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#### 🥊 Media comments



As a leading player in the fast casual hotpot market, Xiabuxiabu currently unveils its ambition to extend footprint into the middle and high-end hotpot market, reverting from "mass to class". Coucou will play a dominant role in its aggressive move to penetrate the new markets.

\* Hunan Cultural Creative Design Boosts "Coucou" Hotpot's Expansion into Sanlitun, Beijing (《湖南 文創助力「湊湊」火鍋入駐北京三里屯》), issued by ifeng.com on 27 February 2016



Zhu Danpeng, Chinese food industry commentator, pointed out: the introduction of Coucou by Xiabuxiabu differentiates itself from its previous market positioning and diversifies its brand portfolio.

\* "Coucou" Experiment by Xiabuxiabu (《呷哺呷哺的「湊湊」實驗》), issued by Beijing Business Today on 16 March 2016



"Coucou" hotpot aims to lead the trend of hotpot 3.0 – based on the quality products, unique flavours and supreme services, efforts are also made to exploit hotpot culture and emotional elements, create a unique Taiwan-featured cultural style and enhance emotional interaction with customers.

\* Exclusive Interview | New Concept of the Sub-brand under Xiabuxiabu: Get Rid of Loneliness – Social Interaction through Hotpot Cuisine (《專訪 | 呷哺二品牌轉向:丢掉孤獨感 · 放大火鍋社交需求》), issued by Hotpot Star Observation (《火鍋星觀察》) on 2 March 2016

#### Customer comments



Reason: I used to indulge myself with Taiwan-featured spicy hotpot and meatballs at the night fair whenever I visited Taiwan. I got news about this restaurant from a friend of mine before its openness, which is known as the first spicy hotpot restaurant offering local Taiwanese flavor in the capital. It is a perfect dining place for small groups of friends with its elegant and comfortable environment and delicious food.

Co-founder and vice president of Lizhi FM

Reason: during my early days in Shanghai, when my rich friends invited me out for dinner, Taihodien Restaurant and Faigo Hot Pot, which are very popular among Taiwan celebrities, would be our favorite choice for something special. I was completely amazed by the elegant and stylish environment of Coucou restaurant, which differentiates itself from its peers in Beijing, a city featuring its downto-earth catering culture. The dishes are as good as those served at the super-expensive hotpot restaurants, and its unlimitedly-supplied duck blood is so delicious and silk-like that one can't have enough of it. Served with rice, it is a real treat to your taste!



Book reviewer, CEO of Seven Tenths Cultural Media (Shanghai) Co., Ltd. (七分文化傳媒(上海)有限公司)



Writer, co-founder and chief content officer of Chuqulvxing.com

Reason: when I lived in Japan, I was impressed by the elegant and stylish design of the restaurants there, even the hotpot stores. Hotpot restaurants in Beijing, however, present a totally different picture. Although the flavour is spicy, the decoration of the restaurants looks a little bit low class in my eyes. This restaurant is recommended by my best female friend, which features local Taiwanese flavour and tasteful design. To my surprise, its Taiwan-featured spicy soup base still tastes very fresh and delicious after eight-hour stew.

Reason: I grew up in a tea producing region and had my share of various good teas, and I operated my own coffee houses and tea bars in recent years. Despite my rich experience in this area, I'm still amazed at this creative idea to make creamy tea from the high-end Dahongpao tea, not to mention the silk-like sweet wonderful taste of the Taiwan-featured bubble tea, known as a reproduction of the first bubble tea in the world, which definitely satisfies my romance itch!



Microblog celebrity, founder of "Yayinshenghuo(牙印生活)" brand

As the leading hotpot brand of the catering industry in China, Xiabuxiabu was awarded the Top 100 Restaurant Brands in China, Top 10 Hotpot Brands of China's Catering Industry, Top 500 Stores in China and Top 50 Hotpot Brands in China on 4 June 2016. Over the 18 years since its establishment, the Company has been committed to the mission of "offering more people with healthy, nutritious, delicious food and stylish dining environment" by assuring product quality from sourcing control and direct distribution to elaborate preparation of ingredients and superior service experience.

# 3.1 Strict Control of Sourcing System

Upholding the brand motto that "High quality derives from persistent efforts", the Company adopts standard centralized procurement approach and always cooperates with first-class suppliers by selecting quality suppliers, so as to ensure product quality from the source.

The Company has established stringent supplier management system. The Company conducts regular quality review over the quality system, plant environment, product control, process control and staff management of the suppliers in accordance with relevant requirements under the national laws and corporate standards, and has in place a sound set of supplier entry and exit mechanism. Where there is material change in the qualification of the suppliers or significant quality defect in the products supplied, the Company will cease to procure products from such suppliers and, if necessary, remove it from the list of qualified suppliers, in an effort to ensure food quality safety.



 operation procedures and criterion;
 O Conducting safety inspection of food and logistics vehicles of each logistics warehouse and inspecting locally-harvested vegetables at the marketplace and restaurants to ensure the seamless connection between the supply chain and the restaurants, as well as the control of

food safety and quality.

#### Orase study: "Farm-to-Table" Project

In recent years, we have witnessed a wide array of food safety issues. In order to guarantee food safety and health, the Company has made persistent efforts in pushing forward the "Farm-to-Table" project. By setting up order-oriented "Farm-to-Table" bases, the Company has built a unique supply chain system that provides Xiabuxiabu with advantages in raw materials. For procurement of fresh vegetables from any partner, after taking into full consideration a number of factors such as its geographic location, production environment (whether free from soil or water pollution), possession of certification as producers of safe and pollution-free agricultural produce issued by the relevant authorities, traditional cultivation advantages and capabilities, convenient transportation facilities and pollution-free surrounding environment, the Company will enter into long-term cultivation contracts with the agricultural cooperatives, thus ensuring stable and traceable supply of products.

Such processes as cultivation, fertilization, spraying insecticide and harvesting are documented, allowing the QC personnel to inspect at any time on a random basis and to offer guidance to the farmers from time to time. All raw materials are tested in batches according to different test indicators, so as to ensure food safety and quality.



O Harvest at the vegetable planting base



O Gu'an Vegetable Planting Base

#### **3.2 Provision of Fresh Food by Direct Distribution**

Upholding the mission of "offering more people with healthy, nutritious, delicious food and stylish dining environment", the Company has adhered to the direct distribution approach, deploying warehouses across the country by its logistics division, so as to provide distinctive distribution services that cater to the local condition. The Company has invested around RMB100 million to build a cold-chain logistics, processing and distribution centre covering an area of 13,000 square meters. Meanwhile, through cooperation with bases and logistics companies, the Company has established the cold-chain operation system covering from dissipation of terrestrial heat after harvesting at vegetable bases, transportation, cold-chain logistics system, and has established the supervision system comprising process supervision, ad hoc inspection and focal points supervision, which covers all supply systems of fresh food, thus ensuring fresh, safe and punctual delivery of ingredients to each store under our supervision from the sources.





Xiabuxiabu Catering Management (China) Holdings Co., Ltd. 23

The Company has invested around RMB1 million to build the double inspection systems, including a quality inspection laboratory within the self-owned cold-chain logistics centre that is capable of detecting pesticide residue and microorganism etc., and the quick inspection processes such as agricultural base land inspection, field inspection of agricultural produce and processing inspection at agricultural produce bases by cooperating with agricultural cooperatives so as to detect pesticide residue and microorganism etc. The Company has established an integrated quality safety system ranging from field cultivation to store processing and serving to the table, which covers food sourcing, procurement, logistics and store operation, etc.





#### 💮 Case study: Innovative Express Delivery – "Xiabu Takeout & Delivery Service"



In the past, lack of delivery services refrained hotpot lovers from enjoying such delicious cuisine anytime and anywhere. In 2016, Xiabu innovatively launched the "Xiabu Takeout & Delivery Service", which delivers high-quality and fresh products to the customers' doorstep in a quick, accurate and safe manner, enabling the customers to enjoy fresh ingredients and authentic soup bases at home.

Following 70 restaurants started to offer takeout and delivery service in January 2016 in Beijing, more restaurants were opened successively in May and June in Tianjin and Shanghai to offer such services. As of June 2016, there were 115 restaurants across China offering takeout and delivery services, and the total volume of orders around China reached over 730,000 as of the end of 2016.

So far, "Xiabu Takeout & Delivery Service" has gradually become one of the largest contributors to the turnover growth of Xiabu. The Company will continue to offer high-quality professional delivery services, with an aim to build an outstanding brand image in the hotpot catering industry.

# **3.3 Elaborate Preparation of Ingredients to Offer Unique Flavor**

In strict compliance with the requirements of the Food Safety Law of the People's Republic of China and other laws and regulations, the Company focuses on every aspect of the process including selection of ingredients, recipe of soup base and menu design to ensure delicious, nutritious and high-quality products that cater to the actual needs of the customers. The Company pioneered the unique bar-style hotpot in China, allowing each customer to choose their own pot, which has become the prevailing trend in China and promotes a more healthy and hygienic dining habit. Bar-style hotpot represents lower costs, higher cost-effectiveness and, more importantly, incomparable convenience as compared with traditional hotpot, and offers more choices as compared with Chinese or Western fast food, where consumers may have access to more diversified and nutritious product mix at the same costs.



O Stringent product inspection to ensure food safety and health



ingredients that are most suitable for hotpot cuisine around China, and strictly implements the procurement management standard so as to select diversified quality ingredients for the customers and ensure that the ingredients delivered to the table are fresh, nutritious and safe.



• The Company engages wellknown food nutrition specialists from Taiwan to elaborately formulate various seasonings and soup bases with unique flavors, both traditional and exotic, satisfying different taste preferences of customers;

• The Company formulates the seasonings, while the soup bases are prepared by the central kitchen and distributed to all stores across the country, so as to ensure the flavour of our dishes.



• The Company constantly develops and updates new products, with six new product mixes launched in 2016;

• In 2016, the Company launched Australia beef granules, North America selected high rib, small wonton, selfservice seasonings, soup bases with ingredients in our upgraded stores, and also upgraded the meat paste series to make it more pleasing and convenient.

# 3.4 Improvement of Customer Experience with Supreme Service

As the first largest bar-style hotpot brand in China, Xiabuxiabu is committed to offering customers with better dining experience. Adhering to the mission of "offering more people with healthy, nutritious, delicious food and stylish dining environment", and upholding the operation philosophy of "giving top priority to the core benefits of the customers", the Company comprehensively optimizes the interior layout of its restaurants, with an aim to increase customer satisfaction. Through offering product mixes with high cost performance, cordial and warm face-to-face service and stylish dining environments, the Company strives to provide the customers with brand-new dining experience.

In strict compliance with the Law on the Protection of Consumer Rights and Interests, Food Safety Law and other laws and regulations, the Company attaches great importance to protection of consumer rights and interests by taking such measures as further regulating brand publicity, delivering accurate product information and establishing smooth feedback channels, with a view to constantly improving the settlement mechanism and procedures for disputes regarding consumer rights and interests.



O Providing quality service for the customers



O Supreme dining environment

The Company strictly protects customer privacy, allowing no access to customer information by the restaurants. To safeguard information security in the payment process by customers, the Company encrypts transmissions of interface data to prevent hacking of information during the course of plain text transmission. For takeout customers, the Company establishes separate operation links. In addition, the hierarchical system is constantly perfected, with only the managers or above levels and the customer's account having the access to order details. The Company also enters into confidentiality agreement with each employee. Moreover, the Company adopts network security enhancement measures to protect customer privacy and ensure information security in an all-round way, including firewall protection, server access restriction, password policy and blocking the sensitive ports of servers, etc.



• Setting up and improving various standard procedures and systems, inspecting and tracking the implementation results of the management teams, engaging third-party professional companies to carry out mystery customer visits, and strengthening the operation management of the restaurants;

• Rationally optimizing the posts of seat ushering and order taking, so as to significantly reduce the queue time and elevate customer satisfaction;

• Organizing diversified training for service personnel of restaurants to improve the service quality and set good examples;

• Establishing a sound operation audit system and improving the management skills of the operation team of Xiabuxiabu restaurants, thus facilitating efficient restaurant operation and elevating customer satisfaction;

• The customer satisfaction reached 90% in a survey on the WeChat platform. • The perfect fusion of Chinese traditional hotpot and modern barstyle dining cuisine caters to both the traditional dietary habits and taste preference of the Chinese people, and the dining concept of modern people for nutrition and convenience;

• Professional designers are engaged to optimize the restaurant design style, creating a more stylish and magnificent environment. • Setting up a variety of complaint channels, including Xiabuxiabu email, customer service email, media email, customer service hotline, Weibo, WeChat and Dianping.com, to collect suggestions and advice from the customers;

• Improving the settlement mechanism and procedures for complaints, by implementing the first inquiry responsibility system, and promising to give feedback within one hour and solving the complaint within 24 hours;

• Customer complaint settlement rate: 100%;

• Rational advertisement and publicity in compliance with national laws and regulations; delivering accurate corporate and product information from the perspective of customers. Low-carbon Operation and Green Lifestyle

# Low-carbon Operation and Green Lifestyle

Apart from bringing return for the investors with satisfactory operating results and making contributions to the social and economic development, Xiabuxiabu, as a responsible and committed enterprise, always pays great attention to the impacts of its operation on the environment, and takes proactive measures to reduce energy consumption and greenhouse gas emission and effectively control the discharge of kitchen wastes, kitchen sewage and other pollutants, in an effort to minimize the impacts on the environment from its operation.

## 4.1 Concern about Climate Change

Climate change has become a global concern. Xiabuxiabu's greenhouse gas emission mainly comes from production and office administration, in which various types of energy such as gasoline, diesel, natural gas and power are consumed. In order to reduce energy consumption and greenhouse gas emission, Xiabuxiabu has formulated a series of management regulations for energy utilization, and has taken a variety of measures during its operations, including reasonably using business vehicles, promoting use of public transportation facilities and optimizing transportation routes for self-owned logistics vehicles so as to reduce gasoline and diesel consumption; adopting kitchen range of higher heating efficiency in the central kitchen for reducing natural gas consumption; selecting high-priced and energy-efficient lighting equipment for new restaurants or renovation projects, and replacing hotpot induction cookers with more energy-efficient ones; taking active participation in the carbon emission trading market, etc. In 2016, Xiabuxiabu replaced a total of 16,000 induction cookers of 180 restaurants with more energy-efficient ones, which is expected to save 1.4016 million kWh of electricity annually, equivalent to reduction of about 1,000 tonnes of greenhouse gas emission.

#### 🗑 Case study: Green Restaurant

The improvement of living quality drives pursuit for a low-carbon and healthy lifestyle. Green and distinctive dining environment has become one of the important factors in assessing a good restaurant. As an enterprise citizen, Xiabuxiabu proactively explores the green and low-carbon development mode, promotes the construction of green restaurants and constantly upgrades its facilities, with an aim to create a more energy-saving and eco-friendly dining environment. In November 2016, Xiabu's central kitchen replaced all the original gas-fired monolayer pots with gas-fired high-viscosity stirring layered pots that feature a larger heating surface and thus higher heating efficiency. In addition, the conduction oil in the interlayer was changed and carbon deposit in the pot got cleared regularly, thereby accelerating the heating rate of ingredients in the pot and saving 5% natural gas consumption without affecting production stability. We installed 28 new energy-efficient induction cookers at Shangdi Hualian restaurant in Beijing in 2016, saving 11.2 kWh of electricity per day as compared with that prior to the replacement based on an average seat turnover rate of 5 times per day, which is expected to save 4,088 kWh of electricity annually.



Xiabuxiabu restaurant



O Central kitchen

# Low-carbon Operation and Green Lifestyle

## 4.2 Control of Emissions

352.8 tonnes of domestic waste discharge

annually.

As a catering enterprise, Xiabuxiabu is committed to environmental protection through efficient control of waste and sewage generated in the operations of restaurants. In strict compliance with the national and local regulations during its operations, Xiabuxiabu has reduced generation and discharge of kitchen and domestic waste by promoting low-carbon dining, sorting out and recycling waste, and reducing the use of disposables, and has taken measures to control and to a reasonable extent reduce sewage discharge. Through such effective control of waste and promotion of green operations, the Company did not violate any laws or regulations relating to environmental protection in 2016.

#### f. **Promoting "Clean Your** Reducing use of Plate Campaign" disposable tableware The Company puts up banners and posters in prominent places in the restaurants, advocating the concept of "order what you The restaurants gradually increase the use of reusable tableware to reduce the waste generated from use of disposable tableware. The can take and clean your plate" to reduce upgraded restaurants only provide tableware food waste. that can be disinfected repeatedly for further use. **Reducing Sewage** Sorting out waste generated by the restaurants **Discharge** Waste generated by the restaurants is The Company promotes the application of classified into domestic waste, kitchen waste water-saving faucets in the restaurants to and other waste, which is sorted out to be reduce water consumption while ensuring the stored, collected and transported separately. Through cooperation with specialized waste clearance companies, the domestic waste tableware and ingredients meet the hygienic standard. Besides, the Company carries out generated by 140 pilot restaurants are sorted oil separation pretreatment of wastewater out and recycled, leading to a reduction of before it's up to standard and discharged to

the municipal pipeline.

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The Company adheres to the "people-oriented" employment concept, establishes a sound training system, and helps employees develop detailed career development plans, extending care, support and warmth to all employees, so as to enhance their cohesion and sense of identity with the Company as well as improve their satisfaction and happiness.

## 5.1 Building a Diversified Team

The Company recognizes the importance of a diversified workforce to the long-term competitive advantage of the Company and talent reserve is the core competitiveness of the Company. During the recruitment, the Company strictly abides by the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, Regulation on Work-related Injury Insurances and other relevant laws and regulations, prohibits the use of forced and child labor, adheres to the principle of equal employment, stands against discrimination with regard to gender, age, region, religion, race and physical conditions and maintains employee equality. The Company protects the fundamental and legitimate rights and interests of employees, establishes a sound and multi-channel recruitment system and has in place a transparent and equal promotion process and compensation incentive system. During the reporting period of 2016, no violation of the regulations in relation to child and forced labor was reported.

As of 31 December, 2016, the Company had a total of 15,544 employees. The Company maintained a ratio of up to 1:2 between male and female employees for three consecutive years from 2014 to 2016, providing a great number of job opportunities for female. The Company had a total of 1,603 minority employees, accounted for over 10% of our total workforce. In 2016, the Company was awarded the titles of "Top Employers in China 2016–Top 10 Restaurant Brands in China" and "Top Employers in China 2016 – Top 100 Brands in China" by 58HRG.



## 5.2 Safeguarding Safety and Health

Employees are the most valuable assets and resources of the Company. Xiabuxiabu adopts the people-oriented principle and has always given priority to employees' health and safety, in an effort to offer them a safe, healthy and protected working environment.



• The Company regularly conducts safety inspection at production and office premises covering every aspect of operation. A zerotolerance policy is adopted by improving the weaknesses in safety management and eliminating hidden safety risks promptly to ensure safety hazard fully removed. Measures are taken to effectively reduce personal injuries, death and production accidents. At the same time, the Company maintains employer liability insurance for the service personnel in the restaurants to protect employee rights and interests. No major work safety responsibility accident has happened over the past three years. Taking measures to ensure employees' occupational health

• The Company provides the employees with healthy and nutritious meals for free for lunches and suppers, avoiding the potential risk of external dining to certain extent. For office personnel, the Company has provided physical examination for 430 individuals. For restaurant staff, the requirements for workers of the catering industry have been strictly followed. The Company has applied for health certificates for more than 15,000 individuals.



• In our daily operation, the Company strengthens safety promotion and education and the learning of required know-how and skills by employees, enhances position skills and safety qualification training, and organizes a series of safety training on a regular basis, so as to improve employees' awareness and ability for safety, of safety and with safety. The Company has developed emergency plan for emergencies such as fire and other crisis events. The Company regularly conducts firefighting drills and has entered into fire safety responsibility agreements with the relevant officerin-charge.



Xiabuxiabu Employees

## **5.3 Promoting Employee Development**

The Company adheres to the philosophy of "caring for employees' career development" and establishes close relationship with talents living up to our core values of "unity, pragmatism, integrity, diligence and creativity". The Company attaches great importance to talent development and cultivation, with an aim to fully stimulate the development potentials of employees. Focusing on the development strategy of the Company and based on development needs of the employees, the Company has established a multi-layer and multi-form training system with the principle of unified management and tiered training, providing them with various training opportunities, including: training on fire safety knowledge, food safety knowledge, product information, effective communication for new employees, and professional training on the 7 habits of highly effective people, internal control, development and financial issues and others for the management, enabling the employees to promptly master professional technical requirements and the latest management information and improving their abilities, so as to support employees for fulfillment of self-worth while satisfying the human resource requirements of long-term development of the Company.

In 2016, the Company carried out a total of 68 sessions of professional, management and new employee trainings for 504 employees for a length of 4,427 hours. Details of such trainings were as follows:

Dimension	Professional	Management	New employee	Total
Total number of employee training sessions	20	10	56	68
Total number of employees trained	56	252	196	504
Total training hours	392	1,764	2,271	4,427

#### ♥ Special training programs of the Company in 2016

¢		
Leadership training	"The first/second introduction" training program for new employees	"The second introduction" training program for new employees

• In 2016, the Seven Habits of Highly Effective People and Defining the Role of A Manager training programs were carried out for 10 sessions, covering 252 employees and multiple HQ departments, Shanghai office system, operation managers of the operation system, new employees and the management of Coucou. The average satisfaction of trainees was 96.09%. • In 2016, 50 training programs were carried out, covering 131 employees and achieving a completion rate of 100%. The programs were carried out within the period from the first day of induction to the 30th day of new employees, enabling the new employees to get an understanding of the corporate culture and routine rules and regulations promptly and to master information about the Company quickly to do a better job.

• In 2016, 6 training programs were carried out, covering 65 employees. The program was carried out within the period from the first month of induction to the sixth month of new employees. On the one hand, it enhanced staff cohesion, sense of honour and belonging. On the other hand, it effectively inspired their passion towards work and increased the confidence in work to create greater value for the Company.





• 7 Habits of Highly Effective People

#### 5.4 A Work-Life Balance

The Company adheres to the people-oriented principle, and provides its employees with a healthy and happy working environment and a broad development platform, in an effort to realize a win-win and mutual beneficial situation and achieve the goal of "working together to build a harmonious company, promote company development and share development achievements". The Company continues to strengthen corporate culture building and regards employees as the subject in corporate culture building. Under the guidance of the above principle, the Company exerts great efforts to explore the employees' potential and inspires their creativity. The Company strengthens its comprehensive strength from all aspects while continuing to promote the prosperity and development of its corporate culture.

#### C Employee communication

#### Awarding outstanding employees

At each year-end banquet, the Company presents awards to the outstanding employees for their excellent performance during the year, with an aim to express gratitude towards their dedication and inspire employees for better performance.


## Keeping the Faith to Create Win-win

#### Employee communication

#### Xiabu Magazine

In order to promote its corporate culture, display its development achievements in a more transparent way, and give an introduction of its new employees and new restaurants, Xiabuxiabu published 3 sessions of Xiabu Magazine in 2016, with over 6,000 magazines printed for each session to cover the headquarters and all the restaurants of the Company.

#### **Employee communication meeting**

The meeting is held in each regional market on a monthly basis to celebrate birthdays of the employees and to collect advices and suggestions from the employees.





#### Assisting employees in financial difficulties

The Company establishes and improves the documentation system of employees in financial difficulties. For those with serious financial difficulties, the Company offers support through multiple channels. In addition to internal support, the Company also applies for funds designated for employees in difficulties via the trade union. In 2016, the Company granted condolence payments in a total amount of RMB187,000.



## Keeping the Faith to Create Win-win

#### Diverse employee activities

#### Campus ceremony

In 2016, the Company held the "Campus Ceremony" activities for the campus management trainees. The activities were held in Beijing, Shanghai, Tianjin and Shenyang with 147 undergraduate participants, which helped the management trainees in their transition from students to employees and to get familiar with their work at Xiabu more quickly.



o a visit to Xiabu by fresh graduates

#### • A tour for Xiabu star workers

The Company organizes travel tour for the employees with outstanding performance. In 2016, more than 30 outstanding star employees took a tour to Guilin, Guangxi, which represents a better way to inspire the sense of belonging and job-related well-being.

#### Cultural and sports activities

The Company organizes a variety of cultural and sports activities to promote work-life balance for the employees, and the activities receive positive response from the employees. Nearly 1,000 employees took part in Xiabuxiabu singing competitions, and around 700 employees participated in the autumn sports meeting. Newly promoted restaurant managers and manager assistants in 2015 from all regional markets across the country were invited for a one-day visit to Xiabu.



Xiabuxiabu Singing Competition



## Keeping the Faith to Create Win-win

#### Oiverse employee activities

#### Skills competition

The Company regularly holds competitions in which all the front-line staff may participate – All Star Skills Competition. The skills competitions held in October 2015 had the most participants and covered the most regions since its establishment. It lasted for three months with over 12,000 employee participants and covering 38 cities in China.

### 5.5 Making Positive Contributions to the Society

As a corporate citizen, Xiabuxiabu combines business development with social development and consumer needs, with an aim to bring happiness to more people by either providing delicious food or extending warm-hearted help. The Company leverages on its vast restaurant network and pools resources to bring positive effects to the community. The Company actively engages in social welfare activities to make concrete contributions to the society. By participating in community development and engaging in public welfare, we have the ambition to become an essential part to the social development like the existence of the sun, air and water.

#### The Company takes an active part in public welfare and makes contributions to building a harmonious society.

- A donation of RMB50,000 in the poverty-alleviation project for the disadvantaged schools in Guangchang, Jiangxi for building canteens and purchasing equipment;
- A donation of RMB10,000 for the earthquake in Taiwan;
- A donation for a total of RMB49,200 to the MusicRadio Action for School Aid organized by China Children and Teenagers Fund;
- Taking an active part in the "Love in the New District, We Are on Action" public welfare activities and "Love in Beijing, Care for Humanity" activities organized by Beijing Red Cross Society Daxing District Branch;
- A donation of RMB60,000 to the Red Cross Society of China Beijing Branch to extend Humanitarian Aid for the "8•12" fire disaster at the Port of Tianjin.





## Outlook

# - Outlook \_ - 2017 <sup>\_</sup>

In 2017, Xiabuxiabu Group will stick to the business concept that "high quality derives from persistent efforts", and will as always speed up the advancement of business development and make continuous innovation to enhance its capability to promote sustainable development. While efforts have been made to ensure food safety, the Company continues to fully improve quality and safety, service experience and protect consumer rights and interests, providing customers with safer and better food and services.

We start from the corporate internally to promote a low-carbon and green lifestyle. We have made proactive efforts in the exploration of environmental protection, energy conservation and carbon reduction, and given play to the innovation awareness of the Company, in an effort to mitigate the impact of its operation on the environment through continuous technology innovation and constant optimization of equipment.

Sticking to the talent cultivation strategy, the Company has introduced a series of policies regarding talent selection, cultivation and inspiration, in an effort to promote career development and well-being of the employees. The Company strives to create a working atmosphere of "commitment and dedication", and proactively organizes poverty alleviation and various public welfare activities to benefit people in need.

In 2017, Xiabuxiabu Group will continue to work hard to realize the dream that "Where there are Chinese, there will be Xiabuxiabu restaurants". Efforts will be made to further improve the profitability and management level of the Company, continue to fulfill its social responsibility, and create greater value for the stakeholders including customers, employees, shareholders and the communities.

NO.	Description	Disclosure Status	Reference Sections in the Report
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 exhaust and greenhouse gas emissions, discharges into water and soil, generation of hazardous and non-hazardous wastes, etc. Note: Exhaust emissions include NOx, SOx and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Disclosed	P28, P29
A1 Emissions	A1.1 Types of emissions and respective emission data.	Partially disclosed	P28, P29
A1 Emissions	A1.2 Greenhouse gas emissions in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Planned to be disclosed in FY2017	-
A1 Emissions	A1.3 Hazardous wastes generated in total (in weight or volume) and, if appropriate, intensity (e.g. per unit of production volume, per facility and per regular employee).	Planned to be disclosed in FY2017	-
A1 Emissions	A1.4 Non-hazardous wastes generated in total (in weight or volume) and, if appropriate, intensity (e.g. per unit of production volume, per facility and per regular employee).	Planned to be disclosed in FY2017	-
A1 Emissions	A1.5 Description of measures taken to reduce emissions and results achieved.	Disclosed	P28, P29
A1 Emissions	A1.6 Description of treatment of hazardous and non- hazardous wastes, reduction initiatives and results achieved.	Disclosed	P29
A2 Use of Resources	General Disclosure Policies on efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used for production, storage,</i> <i>transportation, buildings, electronic equipment, etc.</i>	Disclosed	P28
A2 Use of Resources	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).	Planned to be disclosed in FY2017	-

NO.	Description	Disclosure Status	Reference Sections in the Report
A2 Use of Resources	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Planned to be disclosed in FY2017	-
A2 Use of Resources	A2.3 Description of energy use efficiency initiatives and results achieved.	Disclosed	P28
A2 Use of Resources	A2.4 Description of whether there is any issue in sourcing water that is fit for the purpose and results achieved through implementation of water efficiency initiatives.	Planned to be disclosed in FY2017	-
A2 Use of Resources	A2.5 Total packaging materials used for finished products (in tonnes) and, if applicable, packaging materials used for per unit produced.	Planned to be disclosed in FY2017	-
A3 Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	Disclosed	P28, P29
A3 Environment and Natural Resources	A3.1 Description of the significant impacts of business activities on the environment and natural resources and the actions taken to control such impacts.	Disclosed	P28, P29
B1 Employment	General Disclosure 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.	Disclosed	P31
B1 Employment	B1.1 The number of employees by gender, employment type, age group and geographical region.	Disclosed	P31
B1 Employment	B1.2 The employee turnover rate by gender, age group and geographical region.	Planned to be disclosed in FY2017	-
B2 Health and Safety	General Disclosure 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.	Disclosed	P32
B2 Health and Safety	B2.1 Number and rate of work-related fatalities.	Disclosed	P32
B2 Health and Safety	B2.2 Lost days due to work injury.	Planned to be disclosed in FY2017	-
B2 Health and Safety	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	P32

NO.	Description	Disclosure Status	Reference Sections in the Report
B3 Development and training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external training programs paid by the employer.	Disclosed	P33
B3 Development and Training	B3.1 The percentage of employees receiving trainings by gender and employee category (e.g. senior management, middle management, etc.).	Planned to be disclosed in FY2017	-
B3 Development and Training	B3.2 The average training hours completed per employee by gender and employee category.	Disclosed	P33
B4 Labor Standard	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing use of child labor or forced labor.	Disclosed	P31
B4 Labor Standard	B4.1 Description of measures to review recruitment practices to avoid child labor and forced labor.	Disclosed	P31
B4 Labor Standard	B4.2 Description of steps taken to eliminate such practices when discovered.	N/A	-
B5 Supply Chain Management	General Disclosure Policies on managing the environmental and social risks of the supply chain.	Disclosed	P22
B5 Supply Chain Management	B5.1 Number of suppliers by geographical region.	Planned to be disclosed in FY2017	-
B5 Supply Chain Management	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, as well as how they are implemented and monitored.	Disclosed	P22
B6 Product Responsibility	General Disclosure 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, labeling and privacy matters relation to products and services provided and methods of redress.	Disclosed	P21-P26
B6 Product Responsibility	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	-
B6 Product Responsibility	B6.2 Number of products and service related complaints received and how they are dealt with.	Partially Disclosed	P26

NO.	Description	Disclosure Status	Reference Sections in the Report
B6 Product Responsibility	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Planned to be disclosed in FY2017	-
B6 Product Responsibility	B6.4 Description of quality assurance process and recall procedures.	Disclosed	P22-P25
B6 Product Responsibility	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	P25, P26
B7 Anti-corruption	General Disclosure 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.	Disclosed	P8, P9
B7 Anti-corruption	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.	Disclosed	P9
B7 Anti-corruption	B7.2 Description of preventive measures and whistle- blowing procedures, and the related implementation and supervision approaches.	Disclosed	P9
B8 Community Investment	General Disclosure 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.	Disclosed	P37
B8 Community Investment	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	P37
B8 Community Investment	B8.2 Resources contributed (e.g. money or time) to the focus area.	Disclosed	P37

NO.	Description	Disclosure Status	Reference Sections in the Report
Strategy and analysis			
G4-1	Statement of the organization's chief decision-maker	Disclosed	P2, P3
	Organization profile		
G4-3	Name of the organization	Disclosed	P5
G4-4	Primary brands, products and services	Disclosed	P5
G4-5	Address of the organization's headquarters	Disclosed	P5
G4-6	Number of countries where the organization operates, names of countries where its primary businesses are located, or name of countries which are especially relevant to the theme of sustainable development described in the report	Disclosed	P5
G4-7	Nature of ownership and legal form.	Disclosed	P5
G4-8	Markets served by the organization (including geographic breakdown, sectors served, types of customers/beneficiaries)	Disclosed	P5
G4-9	Scale of the organization, including the number of employees and place of operation, net sales amount or net revenue, total market value by debts and equity, the quantity of the products or services rendered.	Disclosed	P10, P31
G4-10	The total number of employees by employment contract and gender; the total number of permanent employees by employment type and gender; the total number of employees by full-time employees, part-time employees and gender; the total number of employees by region and gender; whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees and part-time employees, including employees and part-time employees of contractors; material change in the number of employees.	Disclosed	P31
G4-11	The percentage of total number of employees covered by collective negotiation agreements.	Undisclosed	-
G4-12	Description of the organization's supply chain.	Disclosed	P22
G4-13	Material changes in the organization's size, structure, ownership or supply chain during the reporting period.	Disclosed	P5
G4-14	Whether and how a precautionary approach or principle is addressed by the organization.	Disclosed	P8, P9
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses.	Undisclosed	-
G4-16	Memberships in associations (such as industry associations) and national or international advocacy organizations, where it is a member of the governing agencies, projects or committees, provides large amount of financial supports in addition to regular payment of membership fee and the membership is deemed to be of strategic significance.	Disclosed	P11

NO.	Description	Disclosure Status	Reference Sections in the Report	
	Material aspects and boundaries identified			
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents; specify whether any entity included in the consolidated financial statements or equivalent documents is not covered by the sustainability report.	Disclosed	About This Report	
G4-18	Explain the process for defining the report content and the aspect boundaries; explain how the organization has implemented the "Reporting Principles for Defining Report Content".	Disclosed	P13	
G4-19	List all the material aspects identified in the process for defining report content.	Disclosed	P13	
G4-20	For each material aspect, describe the aspect boundary within the organization.	Undisclosed	-	
G4-21	For each material aspect, describe the aspect boundary outside the organization.	Undisclosed	-	
G4-22	Report the effect of any restatements of information provided in previous reports and the reasons for such restatements.	N/A	-	
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries.	N/A	-	
	Stakeholder engageme	ent		
G4-24	A list of stakeholders engaged by the organization.	Disclosed	P12	
G4-25	Describe the basis for identification and selection of stakeholders with whom to engage.	Disclosed	P12	
G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type of stakeholder and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Disclosed	P12	
G4-27	Key topics and concerns that have been raised during stakeholder engagement, and how the organization has responded to those key topics and concerns, including through written reports. Report the stakeholder groups that raised each of the key topics and concerns.	Disclosed	P12	
Report profile				
G4-28	Reporting period (such as financial year or calendar year) covered by the information provided.	Disclosed	About This Report	
G4-29	Date of the last report (if any).	N/A	-	
G4-30	Reporting cycle (such as annual, biennial).	Disclosed	About This Report	
G4-31	The contact point for questions regarding the report or its contents.	Disclosed	About This Report	

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NO.	Description	Disclosure Status	Reference Sections in the Report
G4-32	Report the "in accordance" option (core or comprehensive) the organization has chosen; report the GRI content index for the chosen option; report the reference to the external assurance report, if the report has been externally assured.	Disclosed	P43-P46
G4-33	The organization's policy and current practice in seeking external assurance for the report; if not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided; report the relationship between the organization and the assurance providers; report whether the highest governance body or senior management are involved in seeking assurance for the sustainability report.	Undisclosed	-
	Governance		
G4-34	Governance structure of the organization, including committees of the highest governance body. Report committees responsible for decision-making on economic, environmental and social impacts.	Undisclosed	-
	Ethics and integrity		
G4-56	Describe the organization's values, principles, standards and norms of behavior, such as codes of conduct and codes of ethics.	Disclosed	P8, P9
	Disclosure of management i	methods	
G4-DMA	Explain why it is identified as material aspect. Explain the impact of making the aspect to be material. Explain how the organization manages the material aspect or its impact. Describe the evaluation of the management methods.	Undisclosed	-
	Economic		
Economic performance			
G4-EC1	Direct economic value generated and distributed by the organization.	Disclosed	P10
Environmental			
G4-EN6	Reduction of energy consumption.	Disclosed	P28
G4-EN7	Decrease in the energy required by the products and services.	Disclosed	P28
Emissions			
G4-EN19	Reduction of greenhouse gas emission.	Disclosed	P28

NO.	Description	Disclosure Status	Reference Sections in the Report
	Sewage and wastes		
	Products and services		
G4-EN27	Extent of mitigation of environmental impacts of products and services.	Disclosed	P28
	Compliance		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Disclosed	P29
Labor practices and decent work			
Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	Disclosed	P31
	Training and education		
G4-LA9	The average training hours completed in a year per employee by gender and employee category.	Disclosed	P33
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Disclosed	P33
Reporting system of labor issues			
Human rights			
Anti-corruption			
G4-SO4	Communication and training on anti-corruption policies and procedures.	Disclosed	P8, P9

## Reader Feedback Form

Thank you for reading "2016 Report of Corporate Social Responsibilities of Xiabuxiabu". In order to provide you and other stakeholders with more valuable information and improve Xiabuxiabu's ability to fulfill CSR, we sincerely welcome any opinions and suggestions you may offer on the report via:

Mail to: Room 1201, 12/F OfficePlus @Wan Chai, No. 303 Hennessy Road, Wanchai, Hong Kong

Telephone: (852) 29523566

Email: Godfrey@xiabu.com

Which of the following stakeholder types applies to you? ( )
A Government B Regulatory Authority C Shareholder D Customer E Employee
F Supplier and Partner G Public and Media

2 Do you think this report has fully satisfied your expectations for the Company? (

A Yes B No Which of your expectations do you think is not reflected in this report?

O you think the Company has met your expectations well? (

A Yes B No Which of your expectations do you think has not been met well?

 $^{(4)}$  Do you think the arrangement of content and layout design of this report provide easy reading? (  $^{(2)}$  )

A Yes B No What kind of improvement do you think should be made on the content and design?

(5) What other opinions and suggestions do you have on our fulfillment of social responsibility and this report?

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