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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



About This Report

Reporting Period

This report covers the period from 1 January 2017 to 31 December 2017, with some information and figures tracing back to earlier years beyond the stated reporting period.

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 GRI Sustainability Reporting Standards issued by the Global Reporting Initiative (GRI).

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..

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”.

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.hkexnews.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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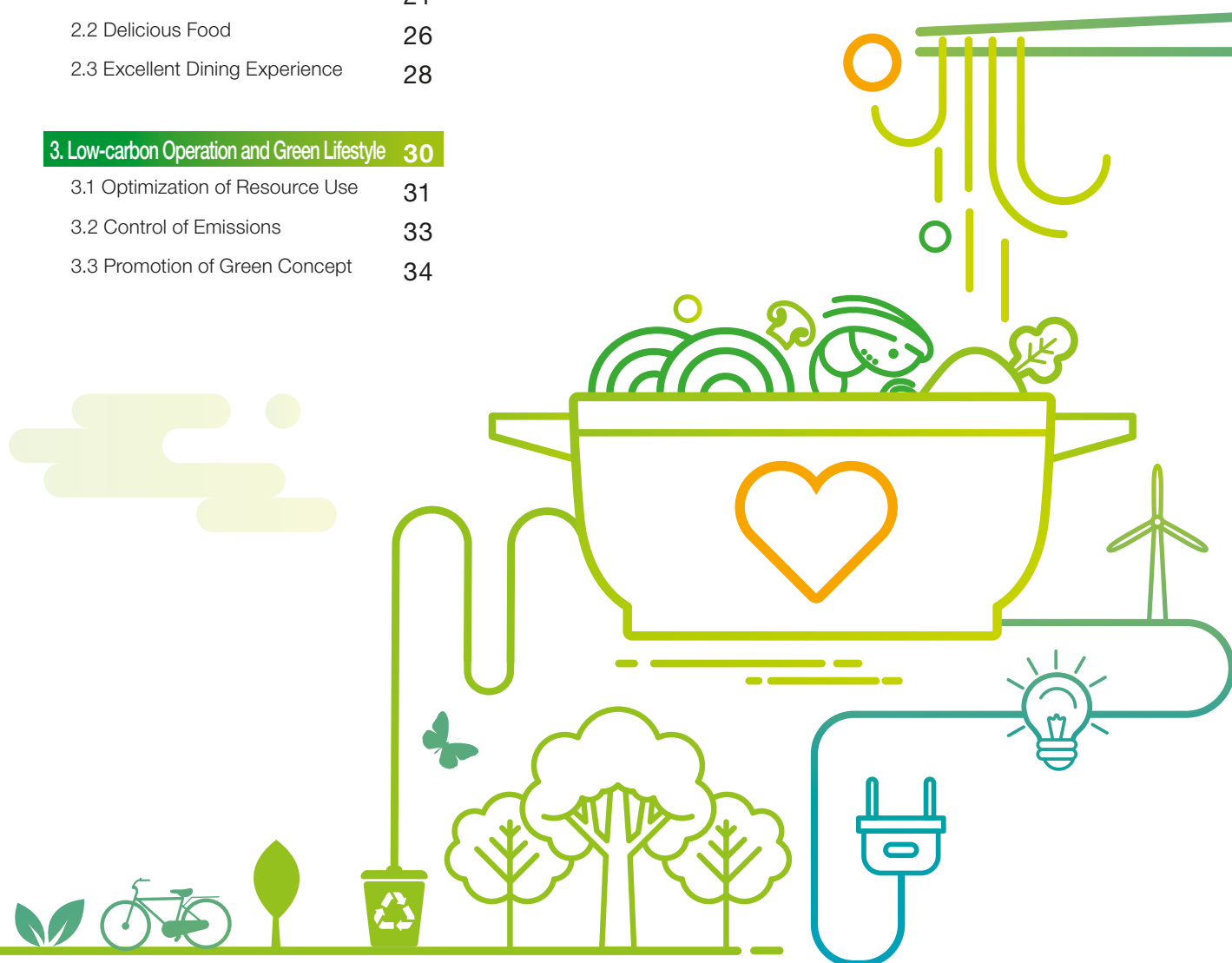
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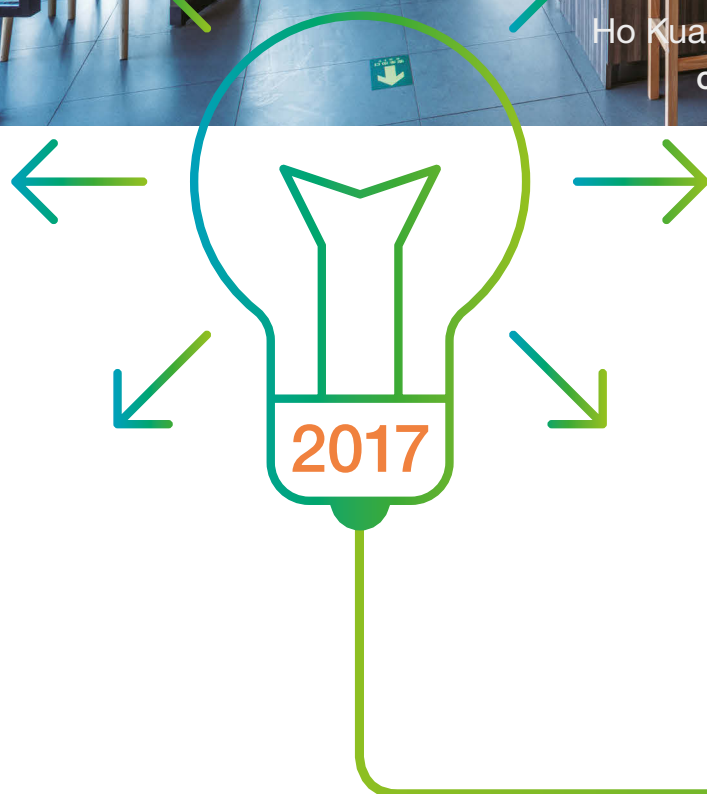
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Chairman's Message



Ho Kuang-Chi
Chairman



Chairman's Message



2017 marked the critical year for the all-round implementation of the 13th Five-Year plan, promoting the supply-side structural reform and economic transformation and upgrade. The PRC economy continued to grow with a stable yet reasonably impressive growth rate and other major indexes. The increasingly consumption-driven economy in China drove the development of the catering service industry. Meanwhile, the rapid advance in technology innovation reshaped the consumption environment for the clients such as the selection process and payment behaviours. The internet perspective has promoted an emerging catering consumption pattern in the mass market, leading to more diversified customer base and demands for the catering service business. Such changes also presented opportunities and challenges for the development of the catering industry.

In 2017, Xiabuxiabu made more aggressive efforts in promoting and pushing forward innovation, transformation and quality improvement, accelerating the transformation of our chain restaurants towards diversified and casual light meals restaurants. During the year, we continued to expand our restaurant network by opening 136 new Xiabuxiabu restaurants and 19 Coucou restaurants. Meanwhile, Xiabuxiabu Group implemented full-fledged brand upgrade. In addition to the continuous expansion of the "Coucou" brand, we also strove to create "Xiabuxiabu upgraded restaurants" by optimizing and upgrading the existing software and hardware facilities and other systems. We have built 58 "Xiabuxiabu upgraded restaurants" during the year.

As of the end of 2017, we had a total of 759 restaurants, with 738 Xiabuxiabu restaurants and 21 Coucou restaurants. The Group recorded a revenue of RMB3,664 million, representing an increase of 32.8% as compared to 2016. Restaurant level operating profit amounted to RMB802 million, representing an increase of 25.4% as compared to 2016.

We remain to the original aspiration and contribute to the society. While striving to achieve our operation goals, we proactively fulfill our social responsibility, making continuous efforts to promote food safety, industry innovation, energy conservation and environmental protection, employee development, social public welfare, etc.



Chairman's Message

We place emphasis on food safety and make continuous efforts to improve customer experience. Maintaining high standard of food safety and quality control is key to the existence of a catering company. The motto of success of the Company is "High quality derives from persistent efforts". Under this business philosophy, Xiabuxiabu spares no efforts in establishing high standard of food safety management and providing super quality food by procuring food ingredients from origin sources. We implement food safety and freshness preservation in every and each aspect of operation ranging from supply source, product quality inspection, direct distribution to restaurant management, in an effort to provide safe and quality products for our customers.

We continue to make innovation in product and operation mode. During the reporting period, we continued to expand the service coverage of "Xiabu Fresh" delivery business, and also successfully launched the "Xiazhuxiatang" (呷煮呷燙) takeout & delivery brand to meet the hot pot takeout & delivery demand for various customers, providing effective hotpot delivery solutions. In addition, we introduced 19 household condiment products including Xiabu seasoning sauces, soup bases and dipping sauces via sale channels such as e-commerce platforms and supermarkets, providing more diversified options, more consumption convenience and more quality services for customers.

We are committed to environmental protection and low carbon operation. With an aim to minimize the impact of business operation on the environment, we implement various measures to achieve energy conservation and emission reduction. In constructing and renovating restaurants, we install necessary facilities to reduce impact on air quality and use LED energy-efficient lights to save energy. Constant optimization and improvement have been made in respect of energy conservation and emission reduction, recycling and reuse of resources and proper treatment of emission, in an effort to achieve low carbon operation. Furthermore, we proactively advocate the low-carbon lifestyle to the public, and encourage the customers to incorporate such ideas into their daily lives and consumption habits through organizing various activities such as marketing campaigns regarding environmental protection and putting up food saving signs, in a joint effort to protect our green home.

We offer employees care and love, and attach great emphasis to the development and training of employees. Talent reserve is required to accommodate the rapid expansion of the Company. As of the end of 2017, we had a total of 21,200 employees. In terms of talent selection and promotion, recruitment and cultivation, Xiabuxiabu always upholds the values of "unity, pragmatism, integrity, diligence and creativity". In addition to our efforts to protect the basic rights and interests of the employees, we are dedicated to creating a promising development platform and comfortable working environment for our employees. Furthermore, a fair and transparent promotion mechanism and a proper talent cultivation system have been established to offer the employees diversified development path and promotion options, and increased efforts have been



Chairman's Message

made to improve professional competence of the employees. The Company has set up trade union, library, mother-and-baby room and exercise equipment to meet the various needs of employees. A variety of activities such as badminton match, travel tour for outstanding employees and year-end banquet are held every year to enrich the work life of the employees. We strive to create a safe and comfortable working environment for the employees, and place emphasis on the health and work safety of the employees. Therefore, we will strive to establish a long-term cultivation and development mechanism and create more opportunities and platform for the development of the employees. During 2012 to 2017, Xiabuxiabu has been granted the “China Best Employer Award” for five consecutive years.

We take an active part in social public welfare activities and are dedicated to community development. With a thankful heart, we remain to the original aspiration by proactively participating in social public activities and making contributions to the society. During the reporting period, we focused on providing financial support for disadvantaged students, and made donations for the dropout students in response to the initiative “Action for School Aid”. Moreover, we donated school supplies to children in the impoverished areas such as Chahar Right Front Banner of Inner Mongolia and Liangshan Yi Autonomous Prefecture of Sichuan Province, extending our love and care to them.

Under the business philosophy of “implementing reforms for future success”, our growth and development will be featured with persistent efforts to pursue for innovation and excellence. With our passion for quality food, we will always stick to our stringent standards and make relentless efforts to provide customers with the best hotpot cuisine. Xiabuxiabu will also continue to proactively fulfill its social responsibility as a social citizen, and continue to improve its value and enhance its creativity, so as to create more value for the stakeholders.



Theme: Full-fledged Brand Upgrade

– New Era of Casual Light Meal

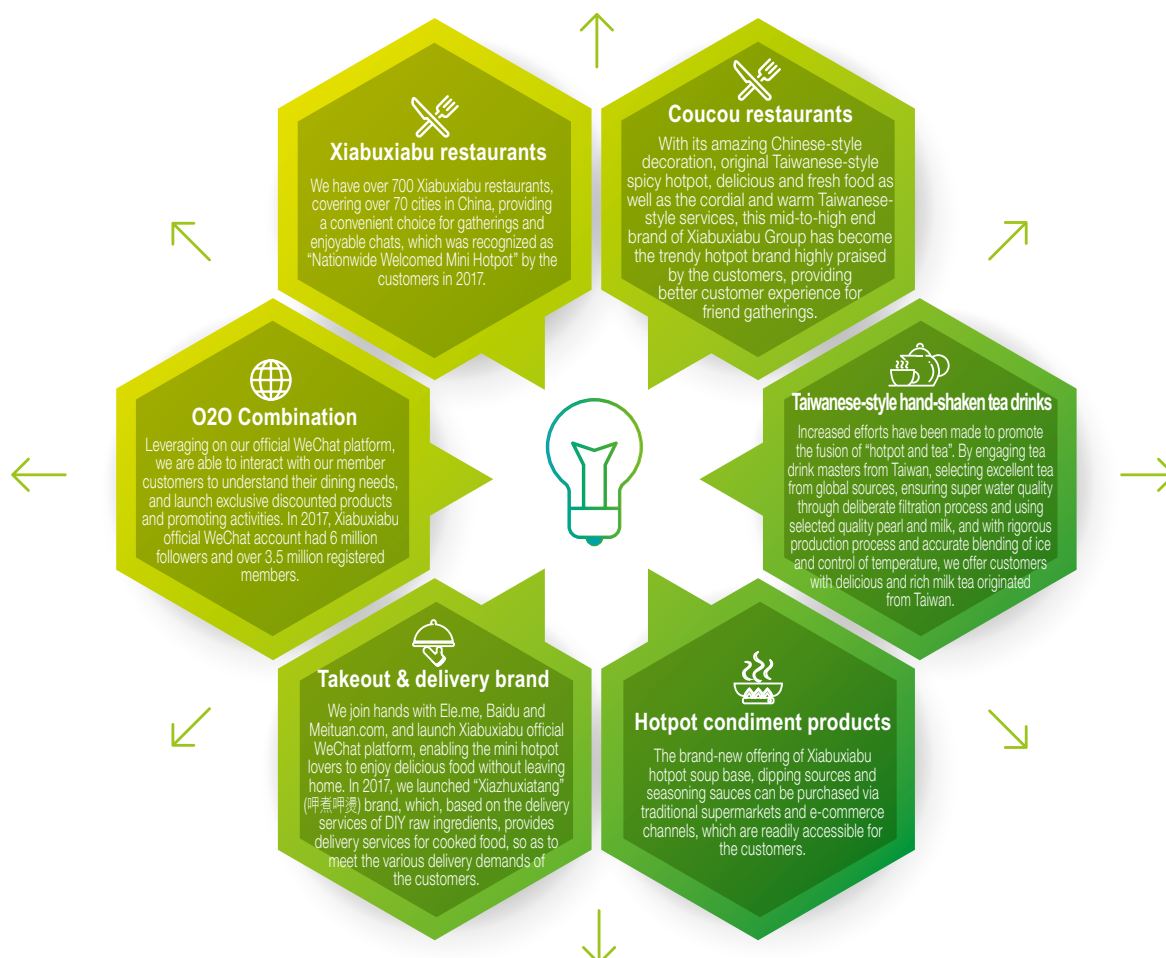
Consumption upgrade and the application of “Internet +” technique have led to profound changes in the consumption pattern and consumption concept of consumers. Nowadays, consumers prefer green, healthy and nutritious diets. In order to meet the constantly upgraded consumption demands of the consumers, Xiabuxiabu implemented full-fledged brand upgrade to improve customer experience in 2017 by introducing a brand-new business pattern - the fusion of “hotpot and tea”, which offers super quality food in the form of casual light meal, providing comfortable dining experience for Chinese customers.

• Historic milestones of Xiabuxiabu brand

1998	2014	2017
The stylish bar-style hotpot cuisine was first introduced by Xiabuxiabu in Beijing, China, providing more fresh, cost-effective and convenient food and beverage products and services to hard-working customers in metropolitan cities.	Xiabuxiabu was successfully listed in Hong Kong and became a hotpot chain brand in China.	Xiabuxiabu implemented full-fledged brand upgrade and introduced the innovative business pattern by the fusion of “hotpot and tea”.

• Business upgrade: building compound catering business model and brand matrix

In 2017, starting from innovation of business model and upgrading of product mix, Xiabuxiabu has extended its business operation from single Xiabuxiabu mini hotpot chain restaurants to mid and high-end brand “Coucou” and online sales of condiment products, with strong WeChat follower base and member groups. The combination of online and offline businesses has expanded the potential for diversified catering business and upgraded the brand image, providing a catering consumption platform with more food options, better quality and greater accessibility.



Theme: Full-fledged Brand Upgrade – New Era of Casual Light Meal

• Quality upgrade: offering customers brand-new experience with trendy style and high cost performance

Xiabuxiabu remains to its original aspiration of providing quality food with high cost performance, and also takes proactive measures to upgrade its products' value image and improve customer experience through upgrade of restaurant environment, food ingredients and service quality, in an effort to create quality upgraded restaurants with trendy style and cost effectiveness by introducing the casual light meal business mode, which has won recognition from the customers and meet their demands for social gathering.

Trendy style

- For decoration and design of the upgraded restaurants, we adopt the aesthetical design concept for new Chinese-style casual and light meal restaurants, which demonstrates restrained elegance with simple decoration, providing customers with a more comfortable, free and stylish environment.
- After the upgrading, the pots were upgraded from stainless steel pots to high-quality black iron pots while the utensils and dishes were also constantly upgraded to match the improved dining environment, offering customers an elegant and delicate dining ambience.



Theme: Full-fledged Brand Upgrade – New Era of Casual Light Meal

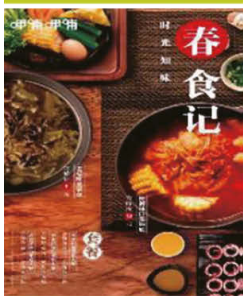
Super quality

- Food selection upgrade: two major approaches for product upgrade of Xiabuxiabu upgraded restaurants: selected food from global sources and farm-to-table project. On one hand, we select quality food from global sources; on the other hand, we have established long-term stable cooperation relationship with dozens of farms in China, thus fresh vegetables harvested in the afternoon every day, through sorting, weighing, packing and transportation, are ready to be served on the customers' dining table in the next morning.



- Core menu upgrade: we offer self-prepared seasoning sauces, develop new flavour of soup base and enrich menu mix.
- Product portfolio upgrade: Xiabuxiabu offers distinct product combination for each of the four seasons, bringing customers surprise and satisfaction.

Spring



The “Tomato Soup Base for Warm Spring” offers delicious taste, providing customers a wonderful experience just like the beautiful spring.

Summer



A spate of high-quality seasonal seafood including Argentinian shrimps and New Zealand mussels give the greatest delight to consumers' taste buds.

Autumn



Canadian AAA beef offer customers with rich soup base and unique soft and crunchy texture of fresh beef.

Winter



The “Traditional Sichuan Spicy Soup Base” with mellow butter flavor delivers an enticing feast of delicious taste sensations.

Theme: Full-fledged Brand Upgrade – New Era of Casual Light Meal

High cost performance

- In Xiabuxiabu upgraded restaurants, we reduce the number of U-shaped bars and lower the height of such bars, so as to make them safer and have better ergonomics.
- In terms of space design, we create the lounge area, and also implement diversified design for the seating area and background area, offering customers greater privacy and providing catering, business, leisure and other functions.
- Xiabuxiabu upgraded restaurants introduce new bar-style service. The waiters observe the needs of customers without interrupting their leisure dining experience, and deliver friendly, considerate and attentive service to the customers with smile and patience, making our customers feel at home.



• Value creation: creating value for the society and building the Company's brand name

We are keen to implementing reform for future success, while we remain true to our original aspiration. Through restaurant upgrade, food upgrade and service upgrade, Xiabuxiabu has achieved further forward-leaping development in its brand image and ushered in the “new era of casual light meal”, setting an example for the sustainable development of our peers in the catering industry, bringing about new opportunities for the development of the overall industrial chain, and helping to enhance the core competitiveness of the Company.

Win-win cooperation with strong brand names

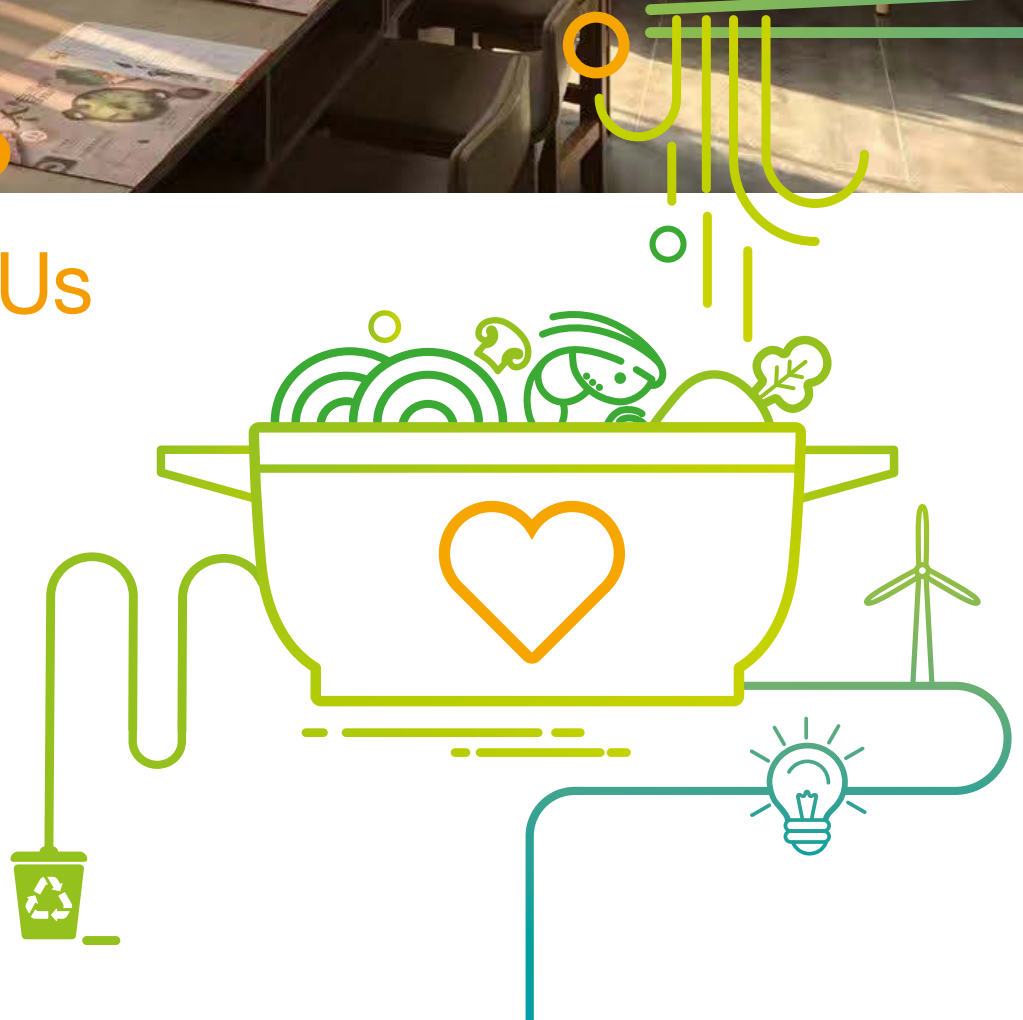
Xiabuxiabu forms strategic cooperation alliances with a great number of Top 100 enterprises including farms and leading companies in real estate, finance and international catering industries. In the future, we will strengthen cross-industry cooperation in culture, video IP, art, lifestyle and other fields through integrated cooperation, so as to exert brand name advantage to achieve win-win results and promote the mutual development of the overall industrial chain.

Value creation and brand image

By implementing full-fledged upgrade, Xiabuxiabu offers customers high quality and cost effective services, providing customers with comfortable, enjoyable and elegant dining ambience which will satisfy their emotional and communication needs. With our relentless commitment, Xiabuxiabu has earned recognition by the public consumers and won high praises from the government and other stakeholders, building a strong brand name for the Company and achieving growth in both operating revenue and operating profit.



1 About Us



1.1 Company Profile

Xiabuxiabu Catering Management (China) Holdings Co., Ltd. owns two brands, i.e. “Xiabuxiabu” and “Coucou”. Xiabuxiabu is originated from Taiwan and a popular brand with stylish mini hotpot among consumers. Founded in 1998 in Beijing, Xiabuxiabu is among the Top 10 Hotpot Brands in China and Top 100 Restaurants Brands in China, and was listed on the Main Board of the Hong Kong Stock Exchange on 17 December 2014. Adhering to the principle of satisfying consumers’ needs and adapting in response to changes in the consumption patterns and catering market, Xiabuxiabu targets on consumption mainly for friend and family gatherings.

As of the end of 2017, Xiabuxiabu owned 738 Xiabuxiabu restaurants in 79 cities over 13 provinces and in three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China, and also owned 21 Coucou restaurants in Beijing, Shanghai, Hangzhou and Shenzhen. In 2017, the Company adhered to its restaurant network expansion plan and opened a total of 155 new restaurants, including 136 Xiabuxiabu restaurants and 19 Coucou restaurants. The Company has extended its footprint into Shenzhen, further improving its brand awareness and market shares.

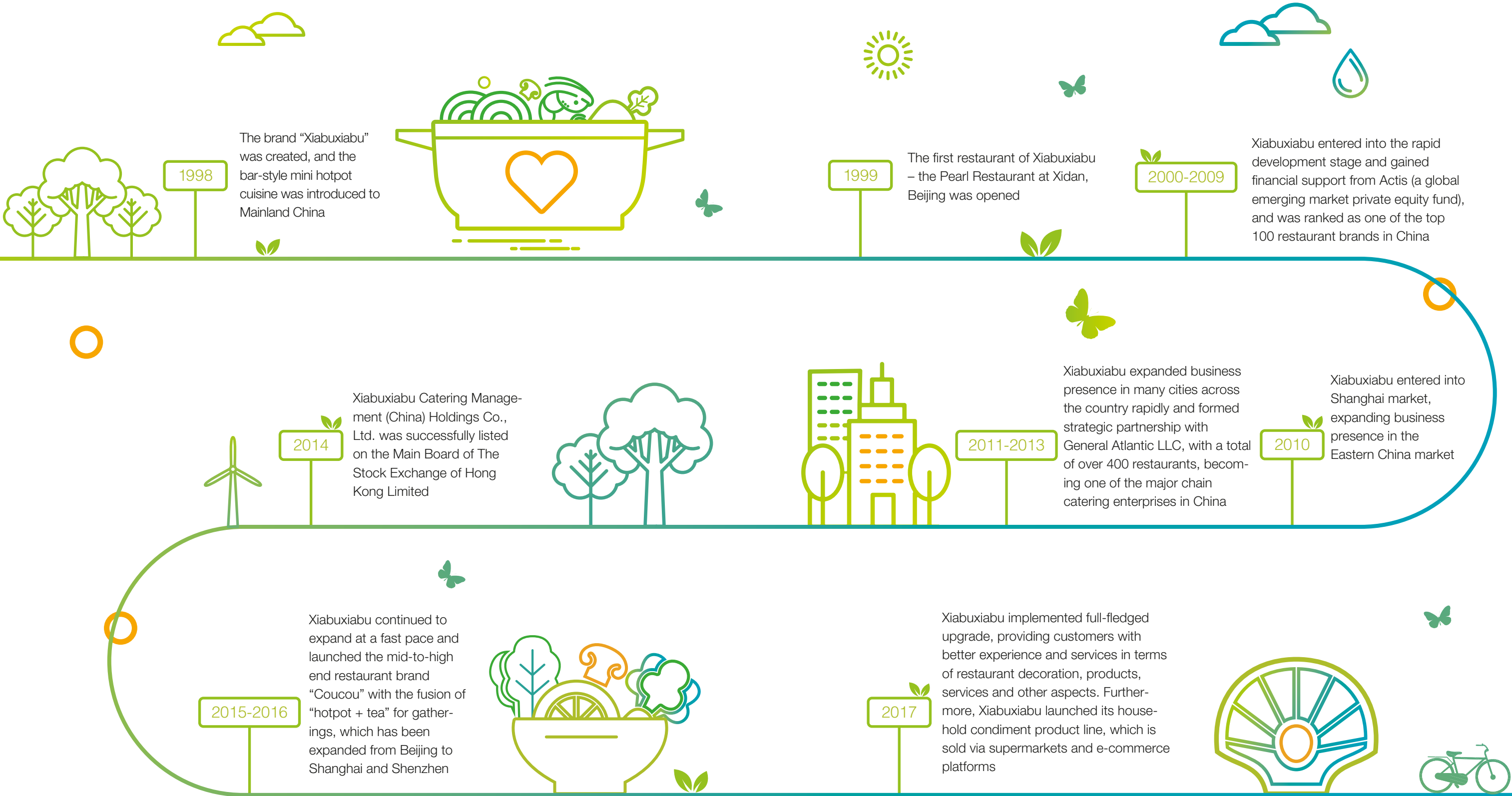
In response to the ever-changing needs of consumers, Xiabuxiabu launched a mid-to-high end brand “Coucou” in Sanlitun, Beijing on 30 June 2016, introducing the fusion of Taiwanese-style spicy hotpot and Taiwanese-style hand-shaken tea, which was warmly received by the public consumers immediately. In the meanwhile, Xiabuxiabu established its food companies to sell Xiabuxiabu product series including seasoning sauces, soup bases and dipping sauces mainly via channels such as e-commerce platforms and supermarkets, so as to satisfy the condiment need of consumers.

Xiabuxiabu always sticks to stringent standards and makes relentless efforts to provide customers with the best hotpot cuisine. Over the years, Xiabuxiabu has been adopting a complicated production process that consists dozens of processes to produce its in-house condiment products with unique flavour. More than 20 varieties of spices are selected to develop our delicious soup bases. With direct delivery from origin sources to each restaurant, we are able to provide customers with fresh vegetables and quality meat, offering them unique and better taste. In response to seasonal changes and consumers’ needs, we constantly introduce new high-quality products.

Upholding the motto that “High quality derives from persistent efforts”, Xiabuxiabu remains true to its original aspiration of providing quality food for its customers.



Historic Milestone



About Us

1.2 Operating Results Review



Revenue of RMB**3,664** million



Restaurant level operating profit of RMB**802** million



Operating restaurants in **79** cities over 13 provinces and three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China



155 new restaurants opened in 2017



A growth of **32.8%** in revenue as compared to 2016



A growth of **25.4%** in restaurant level operating profit as compared to 2016

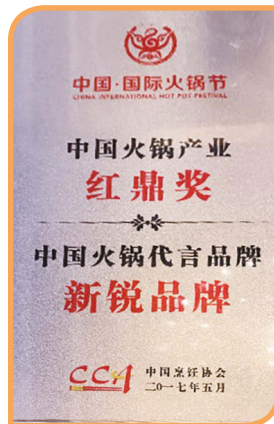


Operating a total of **759** restaurants as of the end of 2017



Seat turnover rate of **3.3x**

1.3 Awards and Honours



Awards	Issuing bodies
Top 10 Restaurant Brands in Beijing	Beijing Cuisine Association
Demonstration Unit for Quality & Safety Improvement in the Catering Industry	China Cuisine Association
Outstanding Hotpot Brand in China	Hotpot Industry Conference of China Cuisine Association
The Most Popular Classic Brand Xiabuxiabu	Nomination Committee of Gold List Award of Chinese Restaurant
Top 10 Specialty Hotpot Leading Brands	Hotpot Industry Conference of China Cuisine Association
Top 10 Emerging Hotpot Brands (Coucou)	Hotpot Industry Conference of China Cuisine Association
Top 10 Theme Hotpots (Coucou)	Hotpot Industry Conference of China Cuisine Association
Pioneering Hotpot Takeout & Delivery Brand in 2017	Takeout & Delivery Conference of China Cuisine Association
Innovative Hotpot Brand in Beijing 2017	Beijing Food and Beverage Industry Association
Top 50 Restaurant Brands in Beijing 2016	Beijing Cuisine Association
Top 100 Fast Food Enterprises in 2016	China Cuisine Association
Leading Fast Food Brands in 2016	China Cuisine Association
Top 10 Hotpot Brands in 2016	China Cuisine Association
Top 500 Stores in China 2016	China Cuisine Association

China Chain Store & Franchise Association
Standing council unit

China Cuisine Association
Council unit

Beijing Cuisine Association
Deputy chairman unit

**Beijing Food and Beverage
Industry Association**
Deputy chairman unit

**Beijing Headquarters
Enterprise Association**
Standing council unit

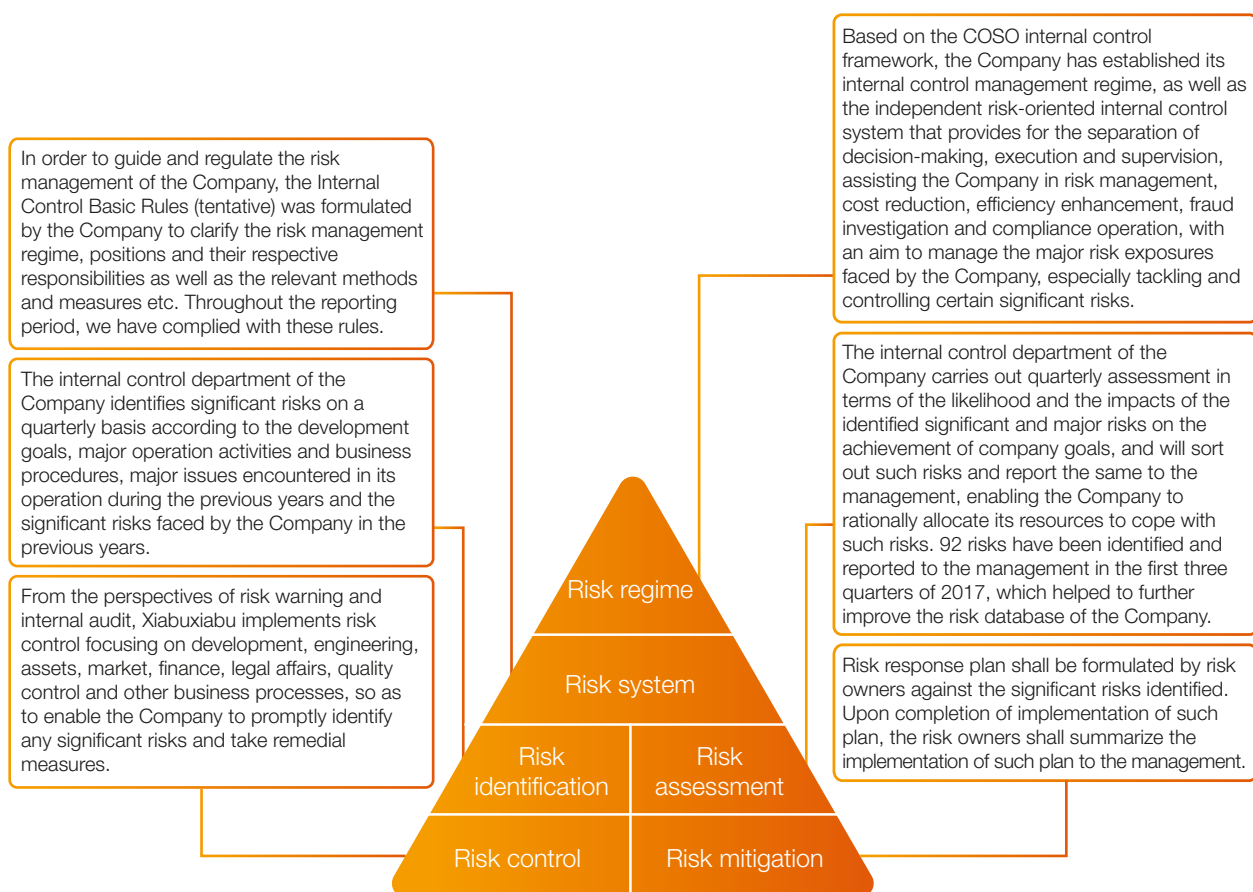
About Us

1.4 Corporate Governance

Compliance operation is fundamental to the steady development of Xiabuxiabu which spares no effort to promote its long-term and sustainable development. We strictly comply with the Company 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 ensure compliance and integrity operation, strengthen its corporate governance and enhance risk management and anti-corruption management, so as to safeguard stakeholders' interests.

• Risk Management

With the establishment of risk management regime and risk management system, the Company has formed the upper risk management framework. The Company implements risk management measures by conducting risk identification, risk assessment, risk control and risk response actions.



• Anti-corruption

In order to regulate our operation management and prevent corruption and fraud conducts among the management and staff, the Company strictly abides by the Company Law, the Criminal Law, the Criminal Procedure Law, the Anti-money Laundering Law and other laws and regulations in China. In addition, the Company has formulated the Guidelines on Whistle-blowing Policy, designated an anti-fraud supervision official within the internal control department, taking initiatives to identify 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. The Company takes measures to prevent and crack down corruption and fraud conducts by various means including anti-corruption education, establishment of whistle-blowing channels, response mechanism towards corruption cases and suppliers' integrity management, etc. No legal proceedings were filed against the Company in relation to corruption cases during 2017.

Anti-corruption education

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. Two anti-corruption trainings were held at the headquarter level during the reporting period with a total of 80 participants.

Diversified whistle-blowing channels

The Company takes great efforts to promote various channels for staff to report corruption and fraud behaviours and provides generous cash rewards to whistle-blowers. The Company has set up Chairman's complaint mailbox and complaint mailbox at the official company website, and also has set up complaint hotline which is handled by designated personnel from the internal control department of the Company.

Response mechanism towards corruption cases

The Company puts priority on the investigation and punishment towards corruption and fraud behaviours within the Company, carrying out special investigations and giving prompt response with heavy punishment on those who violate relevant disciplines, so as to facilitate our anti-corruption efforts.

Suppliers' integrity management

The Company strengthens the corruption prevention mechanism for the upstream business of the industrial chain, and enhances suppliers' integrity management by incorporating provisions regarding anti-commercial bribery into all contracts entered into with each supplier.

About Us

1.5 Stakeholder Communication

Stakeholders	Communication mode	Expectations and aspirations	Our response
Government and regulatory authorities	<ul style="list-style-type: none"> ○ Daily communication ○ Submission of information 	<ul style="list-style-type: none"> ○ Compliance operation ○ Stringent internal control and risk management 	<ul style="list-style-type: none"> ○ Enhancing compliance operation ○ Fulfilling tax obligations ○ Strengthening security management
Investors	<ul style="list-style-type: none"> ○ Regular information disclosure ○ General meetings ○ Daily communication ○ Official website 	<ul style="list-style-type: none"> ○ Satisfactory operating results ○ Sustained and steady growth ○ Operation with integrity and transparency 	<ul style="list-style-type: none"> ○ Constantly improving our ability to create value ○ Strengthening risk management of the Company ○ Promoting transparent and open information disclosure ○ Enhancing investor management
Consumers	<ul style="list-style-type: none"> ○ Complaint hotline ○ Customer satisfaction survey 	<ul style="list-style-type: none"> ○ Food safety ○ Efficient and quality service ○ Nutritious, healthy and diversified product mix ○ Sub-brand building 	<ul style="list-style-type: none"> ○ Implementing strict control over food procurement ○ Adopting direct distribution approach ○ Elaborately preparing ingredients ○ Optimizing dining environment ○ Safeguarding consumers' rights and interests
Environment	<ul style="list-style-type: none"> ○ Advocating the concept of environmental protection ○ Adhering to the strategy of sustainable development 	<ul style="list-style-type: none"> ○ Supporting energy conservation and emission reduction, and promoting low-carbon lifestyle ○ Emission of green-house gas (GHG) ○ Disposal of kitchen wastes ○ Energy consumption ○ Energy and resource conservation ○ Sticking to the strategy of green and sustainable development 	<ul style="list-style-type: none"> ○ Promoting environment-friendly and low-carbon operation of restaurants ○ Strictly managing treatment of kitchen wastes ○ Advocating the concept of green office
Employees	<ul style="list-style-type: none"> ○ Training exchange ○ Performance management mechanism 	<ul style="list-style-type: none"> ○ Protecting the legitimate rights and interests of the employees ○ Remuneration and benefits ○ Providing fair and equal employment opportunities ○ Providing diversified development and promotion opportunities 	<ul style="list-style-type: none"> ○ Implementing fair recruitment practice ○ Providing diversified training and study programs ○ Providing smooth career development path ○ Organizing staff activities to promote a healthy work-life balance
Suppliers and business partners	<ul style="list-style-type: none"> ○ Supplier assessment ○ Cooperation agreements ○ Regular visits 	<ul style="list-style-type: none"> ○ Fair procurement policy and fulfillment of promises ○ Ensuring food quality and safety ○ Local procurement 	<ul style="list-style-type: none"> ○ Enhancing procurement management ○ Implementing "farm-to-table" project ○ Implementing fair and open procurement
Community	<ul style="list-style-type: none"> ○ Community activities ○ Community services 	<ul style="list-style-type: none"> ○ Promoting safety compliance operation ○ Organizing activities for community charity to promote community harmony ○ Promoting green operation 	<ul style="list-style-type: none"> ○ Opening community restaurants ○ Enhancing restaurant safety management ○ Organizing public welfare activities

1.6 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.





2

Quality and
Healthy Food



Quality and Healthy Food

Xiabuxiabu has always been committed to creating a perfect balance between high cost performance and high quality for its customers. Whether to enjoy yourself by choosing your own pot or celebrate a wonderful gathering by sharing several pots with your friends, we are dedicated, under the diversified and upgraded service mode, to providing customers with quality food and considerate and attentive services.

Over the past 19 years, the Company has always regarded food safety as a critical element in the enterprise's life, and complied with the Food Safety Law and other laws and regulations. Adhering to the belief that "high quality derives from persistent efforts", we ensure food safety by implementing strict control from the source and adopting the direct distribution approach. The Company continues to improve the nutrition value and quality of our product and customer satisfaction in terms of menu design and flavour innovation, while constantly optimizing customers' dining experience through restaurant upgrade, service upgrade and purchase channel expansion.

2.1 Reliable Food

Xiabuxiabu believes that "high quality derives from persistent efforts". We implement strict food safety and quality control standards and measures in every aspect of the operation, and monitor product quality throughout the whole process covering from supply chain, logistics, food processing to restaurant.

The Company has established a supplier management system in line with its own characteristics to select quality suppliers. The Company also has a complete product quality inspection system to ensure the safety of incoming food products. Meanwhile, the Company adheres to the direct distribution approach, and constantly optimizes logistics arrangement and efficiency, so as to ensure the safety and freshness of ingredients.

• Strict selection of quality suppliers




Xiabuxiabu cooperates with international and domestic first-class suppliers in the industry. By selecting quality suppliers through stringent process, we are able to control product quality from the source. From the rigorous examination at the entry stage to the quality control throughout the whole process of cooperation, and then to the supplier quality review at the post-service appraisal stage, we implement the closed-loop management for the suppliers. During the reporting period, we developed and optimized 109 suppliers, leading to steady improvement in the quality and quantity of lamb and vegetables received. No food safety incidents related to ingredients were reported during the reporting period.

Quality and Healthy Food

• Management practices









Supplier entry management

-  Set clear supplier entry criteria. We only consider suppliers who possess qualified qualification and pass the sample inspection and on-site assessment. During the reporting period, we carried out 52 reviews on the new suppliers.
-  Qualification: Suppliers are required to present business license, production permit and comprehensive inspection report prepared by third parties. For suppliers engaged in special industries, they are also required to obtain the specific qualification certificate required for the industry. For example, suppliers of beef and mutton are required to provide slaughtering permit and certificate for animal epidemic disease prevention;
-  Sample inspection: Suppliers are required to provide samples. The Company inspects such samples according to its product standards. For tailor-made products for the Company, in addition to sample inspection, the supplier is also required to conduct a pilot test on the tailor-made products, and will only be admitted as a qualified supplier if the sample passes the test;
-  On-site assessment: According to the relevant laws and regulations, and in light of the quality characteristics of Xiabuxiabu products, the Company's quality control department has developed a set of inspection criteria for suppliers. Only suppliers who pass the on-site assessment conducted by our dedicated inspectors will be admitted as qualified suppliers.



Supply process supervision

-  According to the safety risk level of food, all the ingredients are classified into four categories, i.e. A, B, C and D. The risk level is determined on the basis of product characteristics, industry characteristics and quality management of suppliers. Different management measures are made for different types of products.
-  We visit the production sites of suppliers to have a full-scale and in-depth understanding of their quality management situation. Apart from assessment of the suppliers' production quality control, we also conduct a comprehensive assessment of the source and risks of main raw materials to ensure that the suppliers are able to provide stable supply of qualified products.
-  We have carried out 48 unannounced inspections on our existing suppliers, communicated with them on key projects that are prone to quality problems, and inspected the improvements and remedies made by the suppliers.
-  We have meetings with suppliers who are subject to customer complaints or quality issues to make sure a full understanding of the situation and analyse the reasons for such problems, so as to make appropriate improvements.
-  We collect the food safety information publicly released by the media or the government. If any food safety problem is reported on the similar kind of products, such as the toxic egg incident and DEHP in fried bread sticks, warning will be given to our suppliers.
-  We select raw material production bases capable to provide long-term and stable supply, and establish a source traceability system. During the reporting period, the Company carried out 20 inspections of vegetable bases, 30 inspections of producers, and 70 investigations of market supply. At the same time, we assigned over 20 employees to supervise the goat slaughtering process for more than three months.



Post-service appraisal on suppliers

-  We have established the delivery and quality assessment mechanism.
-  Assess the timeliness and accuracy of delivery to ensure timely supply and product quality.
-  Assess the low-grade production ratio of manufacturers, improve the product quality, and control the low-grade product ratio to ensure high and consistent quality.
-  Invite third-party inspection agencies to conduct random inspections on suppliers reviewed by the Company's quality control department to further ensure product quality.



Supervision on procurement of XilinGol League lamb

As one of China's top 100 regional agricultural product public brands (中國百強農產品區域公用品牌), XilinGol League lamb is widely recognised by Chinese consumers and the catering industry for its superior quality. On the basis of strict compliance with the national laws and policies on environmental protection and regional ecological protection, the Company implements quality control over the overall process of lamb supply.

In 2017, an on-site slaughtering supervision team consisting of members from the Company's procurement department and quality control department was established to monitor the procurement process of XilinGol League lamb. In addition to the breed, weight and age of the grassland lambs, the team also implemented monitor and control over the overall processing process and carried out inspection on the finished products. The whole process is under control and traceable, so as to ensure product quality.



• Strict control of the quality inspection system

The Company strictly complies with the regulation on incoming goods inspection and record by food enterprises under the Food Safety Law of the People's Republic of China. Adhering to the principle of "strict, accurate, rapid and efficient" and according to the national standards for food safety and the product standards of Xiabuxiabu, the Company improves the raw material inspection and acceptance process, central kitchen quality control system and product inspection and acceptance standards. The Company has a dedicated QC team for quality control, and continuously enhances training and assessment management of QC personnel and organizes trainings on food inspection technology and testing skills, so as to improve its quality control management. Moreover, the Company increases investments in inspection instruments and equipment, reinforces the laboratory management and testing capabilities to improve its quality inspection level. During the reporting period, the Company invested approximately RMB4.74 million in quality inspection, including laboratory equipment, sampling cost, third-party quality inspection agency fees and labour cost for quality inspectors.

The Company conducts quality inspections on all kinds of products. In 2017, a total of more than 500 categories of items were received, involving daily supply, meat, seafood and surimi, central kitchen condiments and food-related products. The indicators used for inspection include sensory, physicochemical, microbiological, health and other indicators. We determine the sampling rate with reference to the product category and risk level, and carry out inspection for each batch of products. For on-site packaging inspection, it shall be conducted with a sampling inspection rate of 3-100%, and for products that need to be opened for further physicochemical and microbiological inspection, it shall be sampled by batches. If any product is determined as unqualified after inspection, we shall implement risk assessment and increase batch inspection ratio and sampling rate up to 100%.

Quality and Healthy Food



Commissioning third parties to conduct inspections on specific food and tableware

To further ensure freshness and safety of our dishes, third party agencies are invited to conduct inspections. From January to December 2017, with reference to the categories of delivered goods and the sampling inspection projects implemented by national and local food and drug administration, and in light of the food safety risk assessment, we have commissioned SGS and several other third party inspection agencies with international credibility to carry out inspections on our daily supply, meat, seafood and surimi, soup base and condiment products, vegetables, central kitchen condiments and other food-related products.



• Adopting direct distribution approach

Direct distribution approach ensures maximum control of ingredient quality, which is one of the important measures taken by the Company to ensure the freshness and safety of its dishes. To provide customers with selected fresh ingredients, Xiabuxiabu adheres to the direct distribution approach since its establishment. The Company has invested RMB100 million to build its own cold chain logistics, processing and distribution centre with an area of 13,000 sq.m., so as to make quick response to its restaurants' demands for ingredients.

Cooperation on "Farm-to-Table" project

Xiabuxiabu has established stable and long-term cooperation relationships with dozens of farms in China, becoming the benchmark in terms of "Farm-to-Table" cooperation. By the implementation of such project, fresh vegetables harvested in the afternoon every day, through sorting, weighing, packing and transportation, are ready to be served on the customer's dining table in the next morning.



Quality and Healthy Food

Source storage control

At the source of raw food cold chain, Xiabuxiabu strictly implements the ingredient storage standards to ensure that seafood and meat that require to be frozen are, as required, stored in a freezer with a temperature below -18 degrees Celsius and the ingredients that require refrigeration are stored at a temperature of 2-8 degrees Celsius.



Unified production of condiment products

The central kitchen established at our headquarters is responsible for the production of in-house condiment products. The raw materials shall be subject to sensory inspection to eliminate foreign substances according to the risk level of raw materials, so as to ensure that the raw materials meet the quality requirements. We regularly inspect and examine food contact surfaces, employees' uniforms and hands, environment, production water, and key control points for each production process to ensure that all processes meet quality requirements and the system runs well. The first and last products of each day shall be subject to inspection by two staff, and each batch shall be subject to inspection before delivery. In 2017, the central kitchen produced a total of 2,376 batches of products with the batch inspection pass rate of 100%.



Optimization of logistics layout

In respect of the overall distribution system, a three-level logistics network of "national distribution centre – regional distribution centre – transit centre" has been established.



Transportation vehicle support

The transportation vehicles used by Xiabuxiabu are either self-owned or outsourced vehicles that meet the requirements. All vehicles are qualified with the standards to ensure the freshness and safety of ingredients during transportation.



Quality and Healthy Food

2.2 Delicious Food

In order to ensure product quality and improve the taste of key products, the Company has established the Quality and Taste Control Committee to monitor and control product quality and taste of key products, so as to enhance its brand reputation and reduce food safety risk. We are committed to providing customers with healthier, more hygienic and more enjoyable dining experience, achieving “a perfect balance between high cost performance and high quality”.

Moreover, upholding the motto of “a brand can grow up but not grow old”, we believe that the Company has to keep pace with the market trend to maintain active presence and customer trust. In order to satisfy customers’ demand for innovation, the Company makes continuous efforts in introducing more new product offerings for customers in respect of ingredients, products and consumption patterns.

Wide variety of ingredients

Premium ingredients are sourced from the global market, including lamb and mussel from New Zealand, beef from North America and Australia, red prawn from Argentina, white prawn from Ecuador and basa fish from Vietnam, etc. A wide variety of new products are launched, such as seafood and hand-cut premium fresh beef.

By procuring premium ingredients from global sources, Xiabuxiabu strives to provide customers with more new experience, while enhancing brand differentiation to penetrate into different market segments.



Diversified product offerings

Xiabuxiabu constantly provides customers with more diversified product offerings from restaurant products to hotpot condiment products.

Xiabuxiabu and Coucou restaurants continuously develop and update new menu items and product mixes, with an aim to provide customers with healthier, more nutritious and more balanced diet offerings. During the reporting period, Xiabuxiabu restaurants launched a total of 10 new product introduction activities with 42 new product mixes, while Coucou restaurants launched an average of 20 new products across the country.

Xiabuxiabu has launched a wide variety of household condiment products including hotpot soup bases, dipping sauces, compound condiments and seasoning sauces, which are available via supermarkets, traditional channels and e-commercial channels. A total of 19 household condiment products were launched during the reporting period, receiving praise and recognition among customers. For example, the sauce series of 220 grams which were available for sale at certain Xiabuxiabu restaurants recorded an average daily sale of 400 cartons.



Quality and Healthy Food

Diversified business mode

In addition to hotpot operations, Xiabuxiabu constantly explores new growth drivers. Based on customer needs and leveraging on its own official WeChat platform and takeout platforms, Xiabuxiabu exerts efforts to build its takeout and delivery service brand, enabling customers to enjoy the same premium Xiabuxiabu hotpot takeout products at anytime and anywhere as at our restaurant. Moreover, more restaurants of the Group launched hotpot takeout & delivery services during the reporting period, extending “Xiabu Fresh” products to more customers.

Meanwhile, we introduced a new brand “Xiazhuxiatang” (呷煮呷燙) during the reporting period to meet customers’ needs for convenient and high quality food, offering customers a new takeout alternative – boiled products.



Development of new and upgraded products for the restaurants

During the reporting period, the Company continued to develop new products, and launched upgraded menu items and product mixes with newly-introduced premium products at Xiabuxiabu and Coucou restaurants, providing customers with an increasing variety of trendy products to create more optimized and diversified dietary offerings and options.

Xiabuxiabu restaurants

During the reporting period, the Company launched 42 new product mixes at Xiabuxiabu restaurants, including Spring health cuisine (春季養生套餐), taste of five flavours – pickled cabbage hotpot (五味之歡 – 酸菜鍋), golden pork jowl (黃金松板肉) and seafood for two (海鮮雙人餐), etc. These new products met with overwhelming customer acceptance, contributing a turnover of over RMB500 million for the year.



Coucou restaurants

During the reporting period, Coucou developed distinct menus for its restaurants in Northern, Eastern and Southern China with differentiated menu items by regions, so as to satisfy different customer tastes in different regions. On this basis, Coucou upgraded its menus for summer and winter by enriching and optimizing its products offerings, with a view to provide customers with more flavour options.

In May and November 2017, Coucou launched a number of new products at its restaurants across the country, including crispy roll (黃金卷), colourful macaron fish cake (繽紛馬卡龍), Angus chuck roll (安格斯肩胛肉), Alaska pollock (阿拉斯加鱈魚), minced flying fish roe and cuttlefish (飛魚籽墨魚滑), Southeast Asia curry hotpot (南洋咖喱鍋), beef trachea (牛黃喉) and beef omasum (牛百葉), etc.



Quality and Healthy Food



Case

Introduction of new brand “Xiazhuxiatang” (呷煮呷燙)

In order to satisfy the lunch takeout service needs of mid-to-high end white collars in urban areas, the Company introduces its new brand “Xiazhuxiatang” (呷煮呷燙) to provide effective hotpot delivery solutions.

The Company designs and develops exclusive operating equipment for its new “Xiazhuxiatang” (呷煮呷燙) brand, and continues to upgrade its 3.0 version equipment by setting up the specialized cooking pot system at the kitchens of the restaurants, which significantly improves productivity and promotes standardization of production process and tastes. In order to create better dining experience for customers, the Company adopts standardized and exquisite packaging, fully demonstrating the operation philosophy of “Xiahu delivery for you”.

Since the “Xiazhuxiatang” (呷煮呷燙) brand was launched in some restaurants in Beijing on a pilot basis in May 2017, it recorded an outstanding performance of over 80 orders per day for the first week. Subsequently it was introduced into Xiabuxiabu restaurants in Beijing, Shanghai, Tianjin, Nanjing, Wuhan and northeast China, and one third of such restaurants achieved over 100 orders per day which have become restaurants with over one hundred delivery orders, successfully tapping into the lunch delivery market.



2.3 Excellent Dining Experience

Xiabuxiabu is dedicated to providing considerate and caring services and creating more elegant and appealing dining environment by improving its service quality, upgrading the software and hardware equipment of the restaurants, building channels for smooth communications with customers and other efforts based on customer needs, with an aim to bring customers homey dining experience. Meanwhile, we continue to place emphasis on protection of consumers' rights and interests, complying with external regulatory requirements and keeping pace with the relevant development in the industry. We strive to safeguard customers' rights and interests in respect of the protection of customers' privacy and the elimination of false advertising, etc.

Quality and Healthy Food

• Improvement of customer experience

Upholding the philosophy of “giving top priority to the core benefits of the customers”, Xiabuxiabu makes great efforts in improving customer experience through three major approaches, i.e. enhancing service quality, upgrading restaurant equipment and optimizing customer communication, with a view to offer customers more considerate and attentive Taiwanese-style service, more diversified and elegant dining environment and smoother dedicated communication channels. We strive to improve dining experience based on customer needs.

Improvement of service quality

- The Company conducts all-rounded training and holds post skill competitions for restaurant staff and management to strengthen the service awareness and skills of restaurant staff, so as to provide better services for consumers.
- The Company proactively promotes new Taiwanese-style services, requiring its restaurant staff to observe customer needs without interrupting their leisure dining experience, and to deliver friendly, considerate and attentive service to the customers with smile and patience.

Upgrading of restaurant equipment

- In our upgraded restaurants, the Company sets up the Taiwanese-style tea stands at the original hotpot restaurants to provide customers with hand-shaken tea drinks originated from Taiwan and other trendy cold and hot drinks and pastries.
- The Company renovates its original Xiabuxiabu restaurants by integrating with a Chinese touch such as black bricks, paper lanterns, tracteries, flowing water and other Chinese zen-style elements, so as to create a better dining environment for customers.
- The pots were upgraded from common stainless steel pots to high-quality black iron pots while the utensils and dishes were also constantly upgraded, offering customers an excellent dining experience.

Optimization of customer communication

- The Company has established various channels for customers' complaints including 400 customer service hotline, customer service mailbox, company mailbox, WeChat account, Weibo account and dianping.com, etc.
- The Company has well-established complaint processing procedure to record, handle and give prompt response to customers' complaints.
- The Company has established the internal customer service control system to review the operating standards of its restaurants at each market on a random basis from time to time and immediately report any violations or irregularities.
- Customer complaint settlement rate reached 100% during the reporting period.

• Protection of basic rights and interests

In addition to compliance with the Food Safety Law, the Law of the PRC on the Protection of Consumer Rights and Interests and other relevant laws and regulations, the Company pays close attention to the requirements and developments on the customers' basic rights and interests within and outside the industry and strives to safeguard customers' primary rights.

Protection of consumers' privacy

- The in-house system of the Company contains provisions related to the confidentiality obligation on the personal data of the members, providing concrete solution on the standardized management for protecting consumers' personal privacy.
- Xiabuxiabu will take appropriate measures to protect its members' personal data. Any personal information of a member shall not be disclosed to a third party without consent of such member except under special circumstances.
- Xiabuxiabu adopts the professional CRM system provided by a third party company to manage its member information and activities. The above third party company is responsible for the data safety and accessibility, and shall not disclose Xiabuxiabu's data to any other third parties without the consent of Xiabuxiabu; the above third party company is responsible for data maintenance and backup to ensure the safe storage of and access to Xiabuxiabu's data.

Prohibition of false advertising

- Based on the Advertisement Law, the Company delivers, in good faith, true and accurate information to the public. Relevant information released by brand advertising and other official corporate channels are subject to a stringent internal review process before releasing to the public. Such information shall be reviewed by the legal department, business execution department and brand management team respectively before submission to the media for review, which shall be released only upon confirmation by the media, so as to ensure the accuracy and trueness of information.
- The legal department of the Company proactively organizes advertising regulation trainings for each department involving in advertising release and promotes advertising release-related requirements to each department, so as to improve their legal consciousness and identification capability.



3

Low-carbon Operation and Green Lifestyle



Low-carbon Operation and Green Lifestyle

As a responsible and environmentally-friendly enterprise, Xiabuxiabu always upholds the operation principle of “Low-carbon operation” and is committed to fulfilling its obligation as a citizen on the planet, making relentless efforts to protect the environment. During the reporting period, the Company implemented stringent control over every aspect of its operation covering restaurant renovation, food saving, waste management and recycling of obsolete equipment. Meanwhile, we incorporate the green operation concept into every detail of our services, and promote such concept to the customers through marketing and promotion campaigns. During the reporting period, the Group was not involved in any litigation or penalty due to violation of environmental laws and regulations.

3.1 Optimization of Resource Use

Under the trend of low-carbon and energy-saving development, the Company continues to comply with the Environmental Protection Law and other national laws and regulations in China. We incorporate the energy conservation and low-carbon concept into every aspect covering restaurant construction and renovation to field operation, and continue to optimize use of resources, in an effort to build “Low-carbon Xiabu” and “Energy-saving Xiabu”.

Xiabuxiabu’s GHG emission mainly comes from operation, production and office administration, in which various types of energy such as gasoline, diesel, natural gas and power are consumed.

During the reporting period, the data of emissions and resources used are summarized as below:

Indicators	Unit	Volume
Total electricity consumption	kWh	99,763,840.47
Total electricity consumption per unit of operating revenue	kWh/RMB million	27,228.20
Gasoline consumption	litre	65,460.00
Gasoline consumption per unit of operating revenue	litre/RMB million	17.87
Diesel consumption	litre	5,644.06
Diesel consumption per unit of operating revenue	litre/RMB million	1.54
Municipal water consumption	m ³	1,070,386.63
Municipal water consumption per unit of operating revenue	m ³ /RMB million	292.14
Catering sewage discharge	m ³	941,940.23
Catering sewage discharge per unit of operating revenue	m ³ /RMB million	257.08
Natural gas consumption	m ³	674,452.07
Natural gas consumption per unit of operating revenue	m ³ /RMB million	184.08
Scope 1: direct GHG emission	tCO ₂ e	1,634.32
Scope 2: indirect GHG emission	tCO ₂ e	74,919.83
Total GHG emission	tCO ₂ e	76,554.15
GHG emission per unit of operating revenue	tCO ₂ e /RMB million	20.89

Notes: 1. The calculation of GHG emission refers to the *Greenhouse Gas Protocol: a corporate accounting and reporting standard 2012 (Amendment)*
 2. The calculation of catering sewage discharge refers to *The First National Survey of Pollution Sources on Urban Waste Source Discharge Coefficients Handbook*

Low-carbon Operation and Green Lifestyle

By formulating the system for energy utilization and implementing measures on energy conservation and emission reduction, the Company continues to improve energy efficiency and push forward low-carbon operation:

Energy-saving Operation

- By replacing ordinary single-layer glazing with hollow glazing affixed with sealing strips and covering walls with rock wool boards, Xiabuxiabu restaurants improve the performance of the doors, windows and walls in heat preservation.
- Xiabuxiabu advocates the application of energy-saving lamps. All 18-watt lighting lamps have been replaced with 9-watt energy-saving lamps in Xiabuxiabu restaurants, which is estimated to contribute to a reduction of nearly 10,000 kWh in annual electricity consumption for each restaurant. LED energy-saving lamps have been installed in all Coucou restaurants, contributing to a reduction of approximately 30 kWh in daily electricity consumption for each restaurant.
- Inverter energy-saving air conditioners have been installed in all Xiabuxiabu restaurants. In order to reduce operating loads, the filters of these air conditioners and the cooling fins of their outdoor units have been cleaned on a regular basis, which contributes to a reduction of approximately 8% in electricity consumption by air conditioners per year. Inverter energy-saving air conditioners have also been installed in all Coucou restaurants, which contributes to a reduction of approximately 135 kWh in daily electricity consumption for each restaurant.
- The water supply and drainage systems are properly designed, and new devices such as water-saving taps and water-saving sanitary fittings have been installed. In addition, measures have been taken to prevent water spraying, dripping and leaking in our daily utilization and management, so as to reduce resource consumption. Foot-control faucets or sensor faucets have been installed in the hand washing sinks and cold dish preparing rooms in Coucou restaurants, which can significantly reduce the flowing time of tap water as compared with hand-control faucets.

Green Construction

- Efforts have been made to reduce wastes during the construction of our restaurants, including making technical disclosure to the contractors, on-site supervision, inspection and acceptance of construction processes and preparing budgets for construction materials, so as to prevent the conversion of excessive construction materials into construction wastes. Construction technologies have also been optimized by applying the pre-fabrication approach instead of field fabrication and using environmentally-friendly construction materials, which effectively reduces the construction wastes generated on the construction sites.
- Positive efforts have been made to push forward promotion and education on energy conservation and emission reduction. While passing on construction techniques, Xiabuxiabu also organizes education on knowledge relating to energy conservation and consumption reduction for the construction workers, and hangs energy conservation and consumption reduction slogans at the construction sites, so as to further enhance the construction workers' awareness of environmental protection.

Saving Materials

- During the reporting period, the usage of main packaging materials of the Company was as follows: coiled materials for seasonings (198.78 tonnes), soup base bags (115.44 tonnes), composite bags (27.99 tonnes), carton boxes (2,749.36 tonnes), paper cups (628.76 tonnes), PP bags (11.08 tonnes) and packing bags (7.22 tonnes).
- In order to reduce the daily consumption of disposable tableware such as chopsticks and tissues and logistics packaging materials, Xiabuxiabu continues to promote the use of recyclable tableware and packaging materials to reduce the usage of disposables.
- We conduct stock-taking of the obsolete equipment and facilities from time to time, of which those meeting the safety and sanitation requirements and without obvious changes both physically and functionally have been recycled and reused as much as possible.



LED spotlights and downlights are used in Coucou restaurants for lighting system

Low-carbon Operation and Green Lifestyle

3.2 Control of Emissions

Disposal of kitchen waste constitutes a key element in control of emissions for the catering service industry. In order to effectively control kitchen waste generated by the restaurants, Xiabuxiabu has formulated, promoted and implemented in all of its restaurants the Management System for Kitchen Waste (《餐廳垃圾管理制度》), which provides that waste generated by each restaurant shall be sorted out to be dumped, stored and collected separately, while labels indicating various categories of waste (e.g. kitchen waste, domestic waste and other waste) shall be posted on the front side of every dustbin and different categories of waste shall be put in separate dustbins; different categories of waste shall be transferred to units with collection and transportation qualification for disposal, transportation and treatment, and waste generated and cleaned every day shall be recorded and kept in the Waste Management Ledger (《垃圾管理台賬》).

In addition to standardized waste management, Xiabuxiabu actively cooperates with downstream waste disposal companies and realizes recycling of renewable resources due to their sorting efforts. The non-hazardous waste of Xiabuxiabu mainly derives from domestic waste generated by dining halls and kitchen waste generated by kitchens of the restaurants. During the reporting period, Xiabuxiabu restaurants in different regions produced approximately 27,500 tonnes of domestic waste and kitchen waste in total.

The Company continues to step up efforts for control of exhaust emission, so as to minimize pollution from cooking fume. During the reporting period, the Company has invested approximately RMB2.806 million to install new oil fume purification systems in 122 new and renovated Xiabuxiabu restaurants, and oil fume emission was effectively controlled. Meanwhile, the Central Kitchen underwent an upgrading of its cooking fume purifiers in September 2017, with the fume treatment devices upgraded to "combined electrostatic oil fume purifiers", which were used at the vents in the stew preparation workshop. The upgraded purifiers are designed with 6 stoves, each of which has an air volume capacity of 2,000m³/h, enabling them to effectively treat the oil fume and steam produced in the workshop.



Combined Electrostatic Oil Fume Purifier

Low-carbon Operation and Green Lifestyle

3.3 Promotion of Green Concept

While highlighting management of energy conservation and emission reduction in its own operation, the Company also strives to minimize wastes generated by its customers by promoting and advocating consciousness of saving among the customers. For example, posters bearing “Join the Clean Your Plate Campaign” are put up at the prominent places in every restaurant; and servers in the restaurant are required to instill the concept of “order what you can take” to the customers to avoid waste. We strive to advocate the green and low carbon concept to the customers via our technology application and marketing activities, promoting the low carbon, green, sustainability and other environmental protection concepts to the public.



Reducing waste and emissions through technology application

As a trendy mini hotspot brand focusing on the mass market, Xiabuxiabu addresses the problem of accurate procurement throughout the purchase, order and storage process by applying technology means before its sales. Based on big data analysis, the system automatically calculates material consumption for each day and produces the order list for the restaurants which is adjusted by the restaurants according to actual conditions of the business districts and properties where they are located, so as to ensure accurate daily procurement to avoid waste of food ingredients. Moreover, in response to the current consumption pattern, innovations have been made in product design, such as two-in-one combo, which contains two vegetables in one serving, so as to satisfy the desire of customers to order various food and enable them to enjoy more varieties of vegetables with a serving size that they can take. Since years ago, by conducting data analysis, Xiabuxiabu R&D Department removes and replaces the products with fewer orders on a regular basis according to the consumption habit, and incorporates popular food into our menu by introducing the combo-for-one and combo-for-two, so as to reduce waste in terms of product mix and serving size.



Xiabuxiabu Restaurant selling reusable bags for environmental protection

During the period from April to May 2017, by integrating its image as a healthy brand with environmental protection concept, and in order to cater to the needs of the young consumers, Xiabuxiabu produced tailor-made reusable bags, which helped to improve its trendy brand image, enhance emotion communications with young consumers, encourage customers to engage in low-carbon lifestyle and also drove brand preference.

In the campaign, customers may participate in the purchase and redemption of these reusable bags at Xiabuxiabu restaurants in Beijing, Tianjin, Hebei and Shanghai. Approximately 65,000 bags were sold in total in the campaign, achieving the aim of promoting the image of Xiabuxiabu as a healthy brand and its environmental protection concepts to the customers.



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4

Keeping the Faith to
Create Win-win



Keeping the Faith to Create Win-win

Xiabuxiabu adheres to the “people-oriented” basic employment concept, and recognizes that employees and communities are fundamental to the substantial development of the Company. By delivering happiness to our employees and the communities, we are able to bring warmth and delicacy to customers. Xiabuxiabu never forgets its original aspiration, and is committed to extending love and care to its employees, promoting professional development of its workforce and making contribution to the society. We strive to create an equal and loving working environment for our employees, offering a fair platform for them to serve customers and promote their competence. While making efforts to explore market shares and improve product and service quality, the Company is dedicated to public welfare activities and caring for underprivileged groups.

4.1 Protecting Rights and Interests

Xiabuxiabu has been granted the “China Best Employer Award” for five consecutive years during 2012 to 2017. As a young group with an average age of below 33, Xiabuxiabu adheres to the employment concept of “Promoting professional development and enhancing occupational value for employees”, strives to create an “aggressive, healthy and safe” working environment, and recruit talents that fit with our core value of “unity, pragmatism, integrity, diligence and creativity”.

• Fair and compliant employment

We are dedicated to promoting professional development and enhancing occupational value for our employees. Upholding the employment principle of “fairness, openness and equity”, the Company has zero tolerance to any form of discrimination and prohibits the use of child and force labour.

In 2017, the Company eliminated the recruitment of any job applicant under the working age specified by the government by deploying the E-HR system, thus prohibiting the employment of child labour from the source. Furthermore, the Company placed emphasis on and implemented strict control over employment risks, and conducted appraisal on employees of each restaurant from time to time by linking to their performance. So far, we are not aware of any use of forced and child labour.

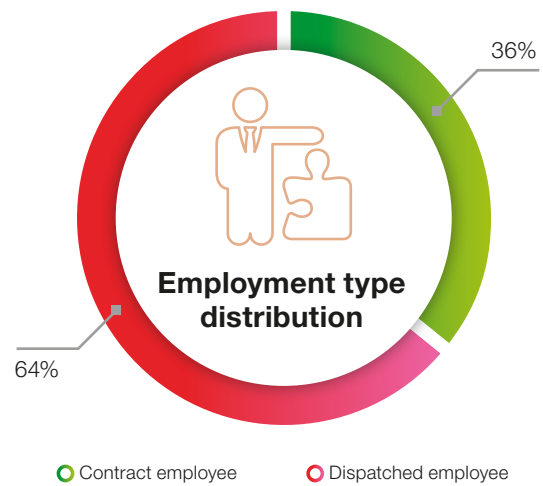
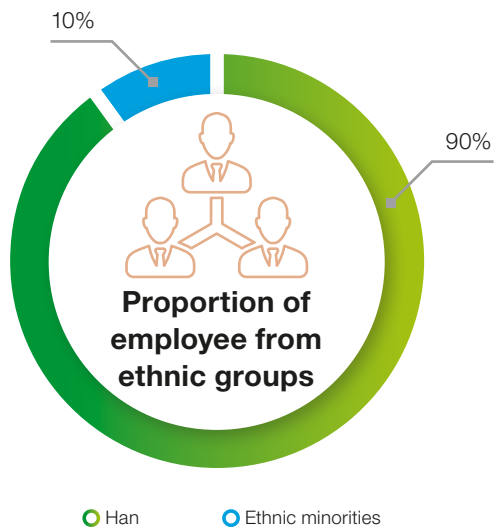
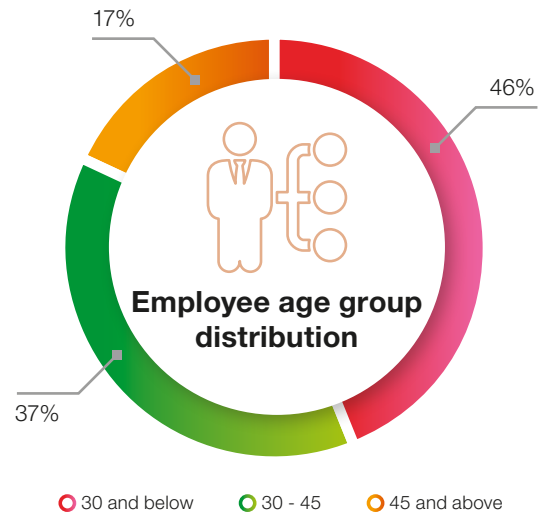
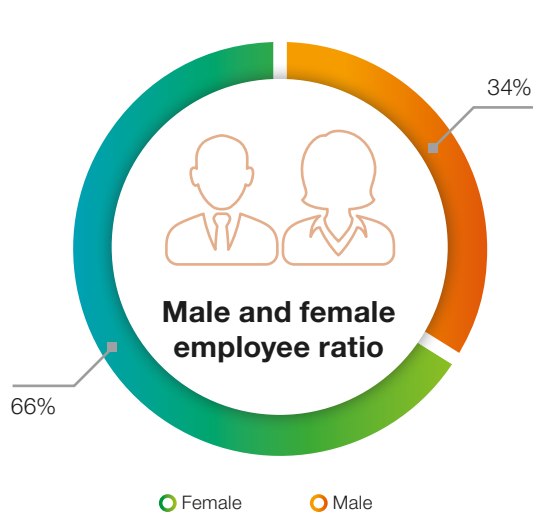
By using the E-HR system, any job applicant under the working age specified by the law is not qualified to enter the system, thereby they are able to complete the entry formalities, prohibiting the employment of child labour from the source.

- **Establishing quality employer brand and promoting scientific employment concept;**
- **Creating the “Xiabu talent” WeChat recruitment account, enabling the candidates to get a better understanding of Xiabuxiabu;**
- **Establishing global channels for talent recruitment and cultivation;**
- **Ensuring compliance with the local laws and regulations by the Company during the course of recruitment, employment and dismissal, and providing benefits entitled by the employees.**

The year of 2017 witnessed the rapid improvement of the employer brand of Xiabuxiabu. During the year, HR introduced HRS recruitment system, improving the situation of recruitment work where a number of scattered recruitment channels coexist and a lot of time is spent on logging into and visiting different recruitment channels with no guarantee for the quality of candidate resumes. Xiabuxiabu has built its own talent mapping to attract elites in the industry. With the opening of the WeChat public account of “Xiabu Brilliant Talent” (呷哺卓越人才), the Company connected its Wechat platform with the enterprise recruitment platform, which enables candidates to submit their resumes while getting a rapid understanding of the Company’s enterprise culture, ushering in a new era of mobile phone interconnection.

Keeping the Faith to Create Win-win

As at the end of 2017, the Company had a total of 21,200 employees. Analysis of employee distribution is as follows:



Keeping the Faith to Create Win-win

• Remuneration and welfare

Adhering to the principle that corporate growth relies on and benefits employees, the Company establishes a remuneration system based on the characteristics of different posts to reflect the internal fairness and external competitiveness. Besides, the Company adjusts employees' remuneration and benefits every year on a systematic basis, so as to share its development achievements with its employees. In 2017, the Company improved the remuneration system in a variety of ways, carried out reform of salary incentive system and adjusted salaries to meet employees' expectation on salaries. The Company also implemented labour budget management and associated total salary with enterprise profitability, so as to improve employees' remuneration and benefits.

Remuneration system

Following the principle of "giving priority to efficiency while taking fairness into consideration", the Company establishes a unified remuneration system, and determines its internal salary distribution system and form of distribution by law based on post value and individual performance with rational income gap. The Company not only improves existing employees' remuneration level in light with its actual profitability, but also provides monthly bonus, quarterly bonus and annual bonus according to their respective positions and job category. The Company adopts multiple approaches to effectively embody three remuneration elements including post, performance and capability. By combining short-term with long-term incentives, the Company improves enterprise profitability while motivating employees' working initiatives, so as to achieve a win-win situation with its employees. Meanwhile, the Company implements labour budget management to analyse employees' income every year, which links total salary with enterprise profitability. The Company also delivers pay rise in an active and prudent manner by developing annual salary increase scheme and adjusting salary policy, so as to improve employees' remuneration and benefits.

Welfare and benefits

In strict compliance with the Labour Law and other relevant national laws and regulations, Xiabuxiabu implements the working system of eight hours each day and forty hours each week. The Company diligently implements the system for national statutory holidays, marriage leave, funeral leave, home leave, maternity leave, family planning leave and paid annual leave, and pays salaries according to the regulated standard.

The Company actively participates in five social insurances including pension, work-related injury, maternity, unemployment and medical insurance in Beijing, and provides provident fund for eligible employees. The Company pays insurance premium in full and on time. The receipt and grant of pension and unemployment compensation is completely in line with general social practice. The Company purchases employer liability insurance for employees of more than 600 restaurants. It actively cooperates with social security department and medical insurance department to ensure the receipt and grant of insurance benefits. The Company provides free working lunch or meal allowance for all employees, and provides transportation, telephone and travel allowances for employees at posts with particular needs.

• Appraisal and promotion

The Company provides a fair, just and open environment for employees' career development, attaches great importance to employees' appraisal and long-term incentives, pays attention to the cultivation of reserve talents, and offers employees promising career development path.

The Company nurtures talent reserve by recruiting management trainees from schools every year and establishing reserve talent pool, so as to provide front-line management backbones to drive business development. The Company also attaches great importance to employees' performance management and incentives. It implements monthly appraisal, annual appraisal and special appraisal for performance appraisal, and regularly tracks and analyzes the employees' accomplishment of performance targets. In the examination and appraisal, the Company focuses on appraising both employees' professional competence and their behaviors. The Company dismisses unqualified employees every year, and promotes those with outstanding performance, ability and integrity.

Keeping the Faith to Create Win-win




“Xiabu Future Star (呷哺未來之星)” Project


Xiabuxiabu holds celebration event for restaurant manager trainees recruited from schools every year. This year, by reviewing the talent pool of Xiabuxiabu, we launched the “Xiabu Future Star” project. In order to boost aspiration of the future front-line management of Xiabuxiabu, we organize such activities once a year, and the goal of this year is to introduce the company culture of Xiabuxiabu. As the generation after 90s or even 95s gradually enter into the workplace, we piloted a new approach to instill our company culture to them this time. First of all, we divided them into four groups who randomly selected the time, space, character, lines, scene and theme (any word from our core value, including unity, diligence, pragmatism, integrity and creativity). Then, each group completed the work of screenwriting, shooting, film editing and poster propagandizing within the prescribed time limit (half a day). Finally, the leaders of the Company acted as judges to select winner for the awards of best picture, best director, best actor and actress, best shot and best casting in this micro film activity. Through this activity, they recorded and expressed their understanding of the Company’s organization and culture with camera. In addition, we also spent a day in sharing The Seven Habits of People with High Efficiency (《高效能人士的七個習慣》) and the veteran employees’ experience in Xiabuxiabu for these “Xiabu Future Star”. Such activities will help them to have a better understanding of Xiabuxiabu and have a clear picture of where they are going and how to get there.

With proper promotion of the trainees’ works and activity clips of this activity, many employees from other companies hold the view that such company culture promotion activities of Xiabuxiabu are very creative, demonstrating that Xiabuxiabu is a dynamic, flexible and inclusive enterprise, which has drawn the attention of many young people, with many of them asking “Is Xiabuxiabu still recruiting candidates now?”.



 Group rehearsal



 Performance evaluation

Keeping the Faith to Create Win-win

4.2 Creating Happiness

Apart from safeguarding the employees' basic rights and interests, Xiabuxiabu implements an equal and diversified employment system, and focuses on the health and safety of the employees, with an aim to create a warm and happy home for the employees. The Company takes various measures to create an excellent working and living environment, so as to safeguard the safety and occupational health of the employees. In the last three years, there is no serious work safety accident, and there is no occupational hazard accident due to the operation premises.

• Focusing on safety and health

Adhering to the principle of people first and scientific development, the Company pays greater attention to employees' occupational safety and health while pursuing for economic benefits.

Improving personnel safety guarantee system

The Company carries out safety inspection regularly at production sites and office premises covering every aspect of operation. A zero-tolerance policy is adopted in 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 employees' rights and interests. No major work safety responsibility accident has happened over the past three years.

Strengthening safety propaganda and education for employees

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 trainings, and organises 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 officer-in-charge.

Taking measures to ensure employees' occupational health

Occupational health is the most basic guarantee for employees' development. According to national laws and regulations and relevant rules of the Company, we place great emphasis on employees' health, carry out employee health examination and promote knowledge about health. We install air-conditioners and fans at production sites and in office premises, and conduct safety evaluation on construction projects, aiming to provide a good working environment for our employees. Besides, we inspect the occupational sanitation of workplace on a regular basis, and ensure that all workers in the canteen of the living area hold the occupational health certificate, so as to ensure their occupational health and dining safety.

Fire safety of operating premises

The Company organizes trainings on production and fire safety every year on a regular basis to enhance employees' awareness of production and operation safety, and remind the employees to keep in mind the alerting line of production safety and labour safety through practice and lecture on knowledge about safe production.

Regular training conducted by the Company gradually enhances employees' safety consciousness, which is embodied in their daily work. Employees will shut off all power supplies of offices before leaving, and fill in the inspection confirmation sheet. Security personnel will carry out relevant safety inspections and inspection tours at night. All workers in workshops are equipped with labour protection appliances, including gloves, cotton-padded clothes and waterproof shoes.

Employees' food safety

In order to ensure food safety, and in accordance with the Food Safety Law, the canteen conducts ingredient inventory stock-taking irregularly in light of the actual conditions. In addition, the Company's quality management department is invited to carry out smearing inspection on the public tableware used by employees and appliances of the meal-serving room, so as to fully ensure food safety for employees dining at the canteen. The qualification rate of the public tableware used by employees and appliances of the meal-serving room reaches 100% throughout the whole year.

In terms of drinking water safety, the administrative personnel improve the procurement policy of barrelled water and order water of well-known brands, so as to ensure safe and healthy drinking water for all employees.

Keeping the Faith to Create Win-win



Carrying out safety training regularly to enhance employees' safety consciousness

In order to promote and implement the storehouse delivery safety management system, the Company nurtures the storehouse workers' ability of dealing with emergencies and enhances their consciousness of safe operation, and makes preventive arrangement for operation in the future. In order to enhance the responsibility consciousness of each participant and instill the training effect into employees' daily work, the Company carries out safety drill regularly to ensure that employees are able to take prompt measures to deal with any emergency occurred.

It was simulated in the drill that employees were injured by falling goods when the fork-lift truck driver was putting goods on the high shelf in high-shelf area. All departments participated in the drill made prompt response and completed the rescue drill in an orderly manner.

This transportation safety drill which was played by real person helps the officer-in-charge to get a better understanding of the responsibility division and cooperation process in dealing with emergencies, enhances their responsibility consciousness, and instills the training effect into employees' daily work.



• A work life balance

Xiabuxiabu is dedicated to creating a working environment that renders the sense of happiness and identity and offers every employee of Xiabuxiabu family attentive care, with an aim to build a warm and comfortable atmosphere for employees and enhance their cohesion and sense of belonging.

- The Company organizes various incentive activities for employees, such as employees' birthday parties, issuing birthday gifts and commending outstanding employees
- The Company sets up a nursing room at the headquarters, so as to provide a more secure, comfortable and private environment for female employees in pregnancy, maternity and lactation periods
- The Company holds the micro film festival of Xiabu Future Star every year for the anniversary celebration of restaurant manager trainees from campus
- In order to create a comfortable and beautiful working environment for the employees, the administrative personnel change the green plants of offices irregularly, enabling the employees to have a pleasant and relaxing mood in their busy work.



Xiabu Future Star Activity

Keeping the Faith to Create Win-win

4.3 Promoting Employee Development

In order to offer better development prospect and more promotion chances for the employees who in turn help to drive better operation results, the Company elaborately establishes a sound employee training and development system, covering induction training when they join the Company to practical courses of on-the-job training. The Company also encourages employees to absorb advanced knowledge and ideas of external experts and participate in external training courses. The Company provides complete course support for employees at each of their career development stage, so as to facilitate their rapid growth.

Dimension	Professional	Management	New employee	Total
Total number of employee training sessions	7	9	11	27
Total number of employees trained	143	241	111	495
Total training hours	2,688	1,752	222	4,662

Orientation training

The Company regularly organizes orientation training for new employees and provides tailor-made relevant courses for new employees. Such trainings help new colleagues to get an understanding of the Company's history, relevant regulations and codes of conduct in the Company, enabling them to adapt to the new environment more quickly.

Workshop

The Company has developed various practical courses in light of the actual situation of the Company, including phase I management training camp for Xiabuxiabu supply chain, brand promotion and marketing training, Coucou targeted team-building workshops, Shanghai targeted team-building workshops, etc. Such programs help the team members to nurture team cooperation spirit, build mutual trust for each other, define goals and boost morale.

External training

The Company organises employees to participate in various external training courses, including Interpretation of New Accounting Standards and Comprehensive Budget Management (《新會計準則解讀和全面預算管理》), Business Innovation and Transformation of Enterprises in the Era of Big Data (《大數據時代商業創新與企業轉型》), Enterprise Sustainability and Craftsman Spirit (《長壽企業與工匠精神》), and Crucial Conversations (《關鍵對話》). Such trainings help employees to learn more new knowledge, concepts and working methods to improve their ability to identify and solve problems, thus improving their work performance.

In order to promote and implement the Company's training and management philosophies in all Xiabuxiabu and Coucou restaurants and meet the operation requirements of simplified training, professional services and standardized management, the Company constantly adjusts and optimizes the pre-service training system of newcomers, which not only helps them to integrate into and understand our corporate culture quickly, but also enables them to quickly develop into the backbone in the catering industry through various planning and implementations.

Keeping the Faith to Create Win-win



Cultivation of service team by Coucou restaurants

In order to better nurture management team and develop more management talents, we are proactively engaged in class course development and education system development, with an aim to establish a complete and comprehensive restaurant operation training system.

During the reporting period, Coucou enhanced the adjustment and optimization of induction training and have developed a standardized and customized training system for new employees featuring the characteristics of Coucou and consistent with the service concept of Coucou.

Enhancing the military posture training to improve the manner of our employees, i.e. discipline and team spirit.


Optimizing training courses by introducing the all-posts general education module course.

Developing and completing the training manual for lecturers, so as to standardise the induction training.


Installing the ordering and payment systems in the training classrooms, so as to complete the field drill module course.

In 2017, Coucou achieved remarkable results in establishment of training systems and implementation of training programs, and has cultivated six new employee trainers and seven drill masters for military posture training. The training team has completed training programs for 1,142 members of the service team and 639 members of the management team.



 Classroom discussion



 Management associate training class

Keeping the Faith to Create Win-win



Establishment of Xiabuxiabu external training program system

Brand upgrade and transformation of operation mode have yielded demands for external training. In order to help our employees to get familiar with our new operation mode and innovative concepts guiding our rapid development, Xiabuxiabu has organized a wide range of external training programs to accommodate demands for improvement in the quality of our talent team.

Xiabuxiabu brand promotion and marketing planning training

With the upgrade and transformation of Xiabuxiabu restaurants, we have organized the auxiliary management and operation training programs. Xiabuxiabu invited Mr. Pan Yifan to hold a two-day training on brand promotion and marketing planning for our management team, enabling the staff to get an understanding of the core targeted customers of various restaurants in different regions and their major consumption patterns, characteristics and demands, and explaining the positioning and core value of the Company to the participants. Meanwhile, instructions were given regarding how to conduct effective brand promotion and all kinds of marketing campaigns.



Coucou targeted team-building workshop

Coucou is a newly established team, which consisting of veteran employees from Xiabuxiabu and also newly recruited experts. It is an urgent task for the Company to help all the employees to improve mutual trust for each other, to understand its business objectives and boost morale of the workforce. Coucou invited Mr. Zhong Yue from Alliance PKU to hold a training program of "targeted team-building workshop". During the training, Mr. Zhong gave an overview of the development milestones and achievements of Coucou hotpot, enabling all the employees to get a full understanding of the overall development history of Coucou and the contributions made by each individual staff, and also worked together to formulate the future objectives and vision for the Company, reaching an agreement on the direction for future development of the Company. By going through the development history of the team, every employee came to recognize the relationship between personal individual and the team, helping them to foster trust for each other.



Xiabuxiabu brand promotion and marketing planning training helped the employees to get a more explicit understanding of the position of the Company after upgrade and transformation, its targeted customers and the brand, and learn more about how to design marketing campaigns. The targeted team-building workshop boosted the morale of the Coucou's team, which helped the employees to recognize the merits of other members and get to know the development of personnel characteristics of each member. Through this workshop, the employees also obtained an insight of the short-term and long-term goals of Coucou, which laid a solid foundation for the rapid expansion of business presence in the second half of 2017.

Keeping the Faith to Create Win-win

4.4 Making Contributions to the Society

The Company owes its development to the support of the society, thus it takes public welfare commitment as an integral part of its social responsibility. As a social citizen, Xiabuxiabu combines business development with social development. Development of the communities in return offers greater development potential for the Company, resulting in a healthy cycle. During the reporting period, we put relentless efforts to provide convenient services to community residents by giving full play to our strength and features, receiving positive response and recognition from community residents' committee and residents. Moreover, we devoted ourselves to charity works with a focus on providing financial supports to education. We proactively participate in community development and devote ourselves to public welfare undertakings which are in line with Xiabuxiabu's ambition, which is to become an essential part of efforts to contribute to the society like the existence of the sun, air and water.



Providing communities with Xiabuxiabu convenient services

On 20 April 2017, we participated in the "Fayuan Temple Local Community Service Fair – Promotion of Brand Products", jointly organized by Fayuan Temple Community and Beijing Cuisine Association and hosted by the Community Service Centre, which strengthened the creativity, cohesion and social influence of the featured community work based on the actual needs of the community residents, and also enhanced consumers' loyalty to the Xiabuxiabu brand, introducing Xiabuxiabu household condiment products to a great mass of consumer. Xiabuxiabu household condiment products earn a good reputation among the community residents with its wide range of variety and multi-functions. For example, the soup provides great convenience as it can be used not only as soup base for hotpot but also as condiment for cooking or soup stew, enabling young consumers who don't cook to become interested in cooking and love home-made meals.



Participating in the "Spread Love" (愛·綻放) public welfare activity to provide financial support for school children in remote mountain areas

In the afternoon of 10 September 2017, the 8th "Spread Love" public welfare activity jointly organized by the Communist Youth League Daxing Committee, Daxing District Youth Federation and 25dx.com was held at the square in front of the Greenland Binfen City, Daxing District. As a major enterprise at Daxing District, Xiabuxiabu proactively made donations to provide school stationery for children in the remote mountain areas before the beginning of the school year.

On 15 September, led by Deng Jingli, the general secretary of the Communist Youth League Daxing Committee and the chairman of Daxing District Youth Federation, we visited Chahar Right Front Banner of Inner Mongolia and made donations to provide financial supports. We made our first stop at Rosecamp Central School (玫瑰營中心學校) to extend love and care to the children there, and the students were very happy to receive the school stationery we donated. Talent cultivation is fundamental to the development of a stronger China, and is also necessary to drive growth of an outstanding enterprise. As a listed company, Xiabuxiabu proactively participates in public welfare activities while striving to grow its business, and is committed to fulfilling its social responsibility by making donations to the school children in the poverty-stricken areas.



Keeping the Faith to Create Win-win



Making donations to the MusicRadio – Action for School Aid

On 1 September 2017, “China National Radio 2017 MusicRadio ‘I Want To Go To School’ – 1200 Action for School Aid Project” which was jointly organized by China Children and Teenagers Fund and Music Radio of CNR was officially launched. The “MusicRadio – Action for School Aid” project has won “China Children’s Charity Award” and many other awards as it proactively promotes the development of welfare services to compulsory education for children and teenagers in China, becoming an essential element of the “Spring Buds Project” and charity demonstration by the media. As part of our long-term public welfare commitment, Xiabuxiabu again participated in the event this year. We donated a total of RMB14,400 for twelve left-behind children in the poverty-stricken areas, offering them a chance to continue their school education.



Making donations for left-behind children in Sichuan Liangshan Yi Autonomous Prefecture

At the end of May 2017, the Chinese Hotpot Industry Development Conference and Chinese • International Hotpot Festival was hosted in Chengdu. During this grand event of the hotpot industry, apart from various competitions and award-granting, “Love Offers Hope” Charity Banquet was also hosted to demonstrate the charity commitment of the hotpot industry. During the charity banquet, in active response to the charity call of China Cuisine Association, Xiabuxiabu made donations to Sichuan Province Livelihood Charity Foundation for targeted poverty alleviation purpose, which is aimed to provide financial support for the left-behind children in Liangshan Yi Autonomous Prefecture, Sichuan Province, creating better conditions for them to pursue school education. While promoting rapid expansion of our business, Xiabuxiabu also embraces its social responsibility by making contributions to the society.



OUTLOOK

Outlook

In 2018, the rising disposable income per capita and urbanization, ever-changing consumer lifestyle and quicker living tempo as well as favourable government policies will continue to support the development of China's catering service market, and also bring more opportunities and challenges to the catering market segment. The year 2018 marks the 20th anniversary since the establishment of Xiabuxiabu. In the coming year, sticking to our motto of the past 20 years, i.e. "High quality derives from persistent efforts", we will strive to seize market opportunities and take proactive measure to overcome challenges ahead, with an aim to maintain steady operation and promote sustainable development of the Company.

Xiabuxiabu will continue to implement strict control over food safety and product quality, and make continuous efforts to reform its operation mode, expand product procurement channels and create diversified product portfolio, so as to cater to the consumers' needs. Meanwhile, we will place emphasis on the experience and rights and interests of the consumers, with an aim to provide customers with healthier, more diversified and cost-effective products and services, striving to strike a "perfect balance between high cost performance and high quality".

We will continue to promote low-carbon operation and proactively advocate the green lifestyle concept. In 2018, we will continue to attach emphasis to energy conservation and emission reduction and to implement relevant measures in our daily operation, upgrading energy-saving equipment and promoting green office practice. Moreover, we will promote the concept of low-carbon lifestyle to the public through marketing campaigns.

We always believe that human resources are the most valuable assets for an enterprise. In 2018, we will continue to care for our employees and create a happy working environment by developing more diversified and tailor-made training and development platforms and offering them a more promising career development prospect.

We remain to the original aspiration and continue to make contributions to the society. Leveraging on our own advantages, we proactively participate in local community services, public welfare and charity donations, volunteers' activities and etc., so as to fulfill our corporate social responsibility.

In 2018, sticking to the vision of "Becoming the leading Chinese catering company with business presence across China and around the world", we will continue to perfect our existing sustainable development system and reinforce sustainability management, with an aim to create greater long-term value for all stakeholders.

ESG Index

NO.	Description	Disclosure Status	Reference Sections in the Report
A1 Emissions	<p>General Disclosures</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(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.</p> <p>Note: Exhaust emissions include NO_x, SO_x and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	Disclosed	P31-P34
A1 Emissions	A1.1 Types of emissions and respective emission data.	Disclosed	P31
A1 Emissions	A1.2 Greenhouse gas emissions in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	P31
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).	Not applicable	–
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).	Disclosed	P33
A1 Emissions	A1.5 Description of measures taken to reduce emissions and results achieved.	Disclosed	P32-P34
A1 Emissions	A1.6 Description of treatment of hazardous and non-hazardous wastes, reduction initiatives and results achieved.	Disclosed	P32-P34
A2 Use of Resources	<p>General Disclosure</p> <p>Policies on efficient use of resources, including energy, water and other raw materials.</p> <p>Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc.</p>	Disclosed	P31-P32
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).	Disclosed	P31
A2 Use of Resources	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	P31
A2 Use of Resources	A2.3 Description of energy use efficiency initiatives and results achieved.	Disclosed	P31-P32

NO.	Description	Disclosure Status	Reference Sections in the Report
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.	Disclosed	P31-P32
A2 Use of Resources	A2.5 Total packaging materials used for finished products (in tonnes) and, if appropriate, packaging materials used for per unit produced.	Disclosed	P32
A3 Environment and Natural Resources	General Disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	Disclosed	P32-P34
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	P32-P34
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	P36, P38
B1 Employment	B1.1 The total number of employees by gender, employment type, age group and geographical region.	Disclosed	P37
B1 Employment	B1.2 The employee turnover rate by gender, age group and geographical region.	Planned to be disclosed in the future	–
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	P40-P41
B2 Health and Safety	B2.1 Number and rate of work-related fatalities.	Disclosed	P40
B2 Health and Safety	B2.2 Lost days due to work injury.	Planned to be disclosed in the future	–
B2 Health and Safety	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	P40-P41

ESG Index

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. <i>Note: Training refers to vocational training. It may include internal and external training programs paid by the employer.</i>	Disclosed	P42-P44
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 the future	–
B3 Development and Training	B3.2 The average training hours completed per employee by gender and employee category.	Disclosed	P42
B4 Labour 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 labour or forced labour.	Disclosed	P36, P38
B4 Labour Standard	B4.1 Description of measures to review recruitment practices to avoid child labour and forced labour.	Disclosed	P36, P38
B4 Labour Standard	B4.2 Description of steps taken to eliminate such practices when discovered.	Not applicable	–
B5 Supply Chain Management	General Disclosure Policies on managing the environmental and social risks of the supply chain.	Disclosed	P21-P23
B5 Supply Chain Management	B5.1 Number of suppliers by geographical region.	Planned to be disclosed in the future	–
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	P21-P24
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 in relation to products and services provided and methods of redress.	Disclosed	P21-P25, P28-P29

NO.	Description	Disclosure Status	Reference Sections in the Report
B6 Product Responsibility	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	–
B6 Product Responsibility	B6.2 Number of products and service related complaints received and how they are dealt with.	Partially Disclosed	P29
B6 Product Responsibility	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Planned to be disclosed in the future	–
B6 Product Responsibility	B6.4 Description of quality assurance process and recall procedures.	Disclosed	P22-P24
B6 Product Responsibility	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	P29
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	P17
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	P17
B7 Anti-corruption	B7.2 Description of preventive measures and whistleblowing procedures, and the related implementation and supervision approaches.	Disclosed	P17
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 taking into consideration the communities' interests.	Disclosed	P45-P46
B8 Community Investment	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	P45-P46
B8 Community Investment	B8.2 Resources contributed (e.g. money or time) to the focus area.	Disclosed	P46

GRI Standards Index

No.	Description	Disclosure Status	Reference Sections in the Report
102-1	Name of the organization	Disclosed	P11
102-2	Activities, brands, products and services	Disclosed	P11
102-3	Location of headquarters	Disclosed	P11
102-4	Location of operations	Disclosed	P11
102-5	Ownership and legal form	Disclosed	P11
102-6	Markets served	Disclosed	P3-P5, P11
102-7	Scale of the organization	Disclosed	P3-P5, P11
102-8	Information on employees and other workers	Disclosed	P3-P5
102-9	Supply chain	Disclosed	P21-P23
102-10	Significant changes to the organization and its supply chain	Disclosed	P6-P9
102-13	Membership of associations	Disclosed	P15
102-14	Statement from senior decision-maker	Disclosed	P3-P5
102-15	Key impacts, risks and opportunities	Disclosed	P3-P5
102-16	Values, principles, standards and norms of behavior	Disclosed	P3-P5
102-20	Executive-level responsibility for economic, environmental and social topics	Disclosed	P19
102-21	Consulting stakeholders on economic, environmental and social topics	Disclosed	P19
102-29	Identifying and managing economic, environmental, and social impacts	Disclosed	P19

GRI Standards Index

No.	Description	Disclosure Status	Reference Sections in the Report
102-30	Effectiveness of risk management processes	Disclosed	P16
102-31	Review of economic, environmental and social topics	Disclosed	P19
102-32	Highest governance body's role in sustainability reporting	Disclosed	P3-P5, P19
102-40	List of stakeholder groups	Disclosed	P18
102-43	Approach to stakeholder engagement	Disclosed	P19
102-44	Key topics and concerns raised	Disclosed	P19
102-46	Defining report content and topic boundaries	Disclosed	Pii
102-47	List of material topics	Disclosed	P19
102-49	Changes in reporting	Disclosed	Pii
102-50	Reporting period	Disclosed	Pii
102-51	Date of most recent report	Disclosed	Pii
102-52	Reporting cycle	Disclosed	Pii
102-53	Contact point for questions regarding the report	Disclosed	P55
102-55	GRI content index	Disclosed	P52
201-1	Direct economic value generated and distributed	Disclosed	P14
205-2	Communication and training about anti-corruption policies and procedures	Disclosed	P17

GRI Standards Index

No.	Description	Disclosure Status	Reference Sections in the Report
301-1	Materials used by weight or volume	Disclosed	P32
302-1	Energy consumption within the organization	Disclosed	P31
302-3	Energy intensity	Disclosed	P31
302-4	Reduction of energy consumption	Partially disclosed	P32
302-5	Reductions in energy requirements of products and services	Disclosed	P32-P33
305-1	Direct (scope 1) GHG emissions	Disclosed	P31
305-2	Energy indirect (scope 2) GHG emissions	Disclosed	P31
305-4	GHG emissions intensity	Disclosed	P31
306-1	Total water discharge by quality and destination	Disclosed	P31
306-2	Total amount of waste by type and disposal method	Disclosed	P33
307-1	Non-compliance with environmental laws and regulations	Disclosed	P31 (No such cases happened)
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Disclosed	P38, P41
401-3	Parental leave	Disclosed	P38
404-2	Programs for upgrading employee skills and transition assistance programs	Disclosed	P42-P43
414-2	Negative social impacts in the supply chain and actions taken	Disclosed	P22
416-1	Assessment of the health and safety impacts of product and service categories	Disclosed	P21-P25
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Disclosed	P21 (No such cases happened)

Reader Feedback Form

Thank you for reading “2017 Report of Environmental, Social and Governance of Xiabuxiabu”. In order to provide you and other stakeholders with more valuable information and improve the Company’s ability to fulfill ESG, we sincerely welcome any opinions and suggestions you may offer on the report via:

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1 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 Community H 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?

3 Do 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? ()
A Excellent B Good C Average D Poor

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

Thanks again for your participation.