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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	Year-on-Year Change(1)
	RMB'000	*RMB'000*	%
	(audited)	(audited)	
Revenue	**4,734,080**	3,663,993	29.2
Profit before tax	**609,440**	542,787	12.3
Total profit for the year attributable to owners of the Company	**462,478**	420,170	10.1
Adjusted net profit(1)(2)	**475,112**	431,782	10.0

PROPOSED FINAL DIVIDEND

Proposed final dividend of RMB0.096 per share, amounting to approximately a total of RMB101.2 million for the year ended 31 December 2018 and representing approximately 40% of the Group's net profit for the six months ended 31 December 2018.

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

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

The board of directors (the "**Board**") of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018.

BUSINESS REVIEW AND OUTLOOK

Overview

In 2018, the Group opened 168 Xiabuxiabu restaurants and 27 Coucou restaurants. As of 31 December 2018, the Group owned and operated 886 Xiabuxiabu restaurants in 108 cities over 20 provinces and in three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China.

The Group's revenue grew by 29.2% from RMB3,664.0 million in 2017 to RMB4,734.1 million in 2018 primarily due to the Group's effort to expand its restaurant network and a nationwide same-store sales growth of 2.3%. Such growth, coupled with increases in various operating expenses resulted in a 11.9% growth in the Group's restaurant level operating profit from RMB802.5 million in 2017 to RMB897.6 million in 2018. As of 31 December 2018, the Group's net current assets decreased from RMB1,133.7 million as of 31 December 2017 to RMB1,044.7 million as of 31 December 2018 as a result of more construction work for more new store openings which led to higher capital expenditure.

As of 31 December 2018, the Group owned 48 Coucou restaurants in Jiangsu, Hubei, Hunan, Henan, Hebei, Shandong, Shanxi, Fujian, Shaanxi, Zhejiang and Guangdong provinces and Beijing and Shanghai municipalities. The Group managed to grow its revenue generated from the Coucou restaurants by 374.9% from RMB117.0 million in 2017 to RMB555.6 million in 2018, primarily due to continuous effort to expand the Coucou restaurant network. The Coucou restaurants also achieved restaurant level operating profit of RMB64.8 million in 2018 as compared with a loss of RMB24.4 million in 2017.

Industry review

In 2018, China's domestic economy remained relatively stable even with the increasing uncertainty in the external environment. Domestic structural readjusting, transformation and upgrading had been the backbone to maintain the steady growth of the economy. China's GDP grew at a rate of 6.6% in 2018, and actual per capita disposable income of urban and rural areas grew by 6.5%, basically in line with economic growth. Consumer price index rose by 2.1%. The structural optimization in the service sector developed rapidly in 2018, which also contributed to the growth of China's economy. Service consumption has also accelerated while consumer's demand for services with higher quality and efficiency continued to grow.

Overall Business and Financial Performance

The Group's restaurant network

In 2018, the Group adhered to its restaurant network expansion plan and opened a total of 195 new restaurants, including 168 Xiabuxiabu restaurants and 27 Coucou restaurants. In addition, the Group closed a total of 20 restaurants in 2018 due to various commercial reasons. In aggregate, the Group's restaurants in operation increased by 175 in 2018. A substantial portion of the Group's revenue and restaurant level operating profit were derived from Xiabuxiabu restaurants.

Geographical breakdown of the Group's Xiabuxiabu restaurants

The table below sets forth the breakdown of the Group's system wide Xiabuxiabu restaurants by region as of the dates indicated:

	As of 31 December			
	2018		2017	
	#	**%**	#	%
Beijing	**309**	**34.9**	282	38.2
Shanghai	**52**	**5.9**	50	6.8
Tianjin	**81**	**9.1**	66	8.9
Hebei(1)	**148**	**16.7**	130	17.6
Northeast China(2)	**102**	**11.5**	75	10.2
Other regions(3)	**194**	**21.9**	135	18.3
Total	**886**	**100**	738	100

(1) Including 17 cities in Hebei Province.

(2) Including 23 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 68 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui, Hunan and Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

Key operational information for the Group's Xiabuxiabu restaurants

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

	As of or for the years ended 31 December	
	2018	2017
Net Revenue (in RMB thousands)		
Beijing	**1,925,145**	1,814,861
Shanghai	**216,330**	211,797
Tianjin	**317,011**	269,874
Hebei(2)	**682,930**	558,609
Northeast China(3)	**370,319**	271,100
Other regions(4)	**567,215**	365,374
Total	**4,078,950**	3,491,615
Average spending per customer (RMB)(1)		
Beijing	**55.4**	49.5
Shanghai	**52.5**	49.8
Tianjin	**52.6**	47.6
Hebei(2)	**51.5**	46.7
Northeast China(3)	**51.2**	46.2
Other regions(4)	**51.2**	47.1
Total	**53.3**	48.4
Seat turnover rate (X)(5)		
Beijing	**3.6**	4.0
Shanghai	**2.6**	2.7
Tianjin	**2.5**	3.0
Hebei(2)	**2.8**	3.0
Northeast China(3)	**2.4**	2.9
Other regions(4)	**1.8**	2.3
Total	**2.8**	3.3

(1) Calculated by dividing revenue generated from food and beverage sales of Xiabuxiabu restaurants for the year by total customer traffic of Xiabuxiabu restaurants for the year.

(2) Including 17 cities in Hebei Province.

(3) Including 23 cities in Heilongjiang, Jilin and Liaoning Provinces.

(4) Including 68 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui, Hunan and Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

(5) Calculated by dividing total customer traffic by total restaurant operation days and average seat count of Xiabuxiabu restaurants during the year.

In 2018, in terms of restaurant count and revenue contribution, as the Group successfully implemented its nationwide expansion plan, the Group's revenue generated from restaurants outside of Beijing continued to increase in absolute terms and as a percentage of the Group's total revenue in 2018, reaching approximately 52.8% of the Group's total revenue. On the other hand, average customer spending continued to increase in 2018, primarily due to the increase in sales of newly launched menu items as the Group continued to optimize its product combinations and launch new products regularly.

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

	Year ended 31 December		Year ended 31 December	
	2017	**2018**	2016	2017
Number of same-store (#)				
Beijing	**273**		238	
Shanghai	**49**		43	
Tianjin	**60**		50	
Hebei[1]	**122**		83	
Northeast China[2]	**72**		31	
Other regions[3]	**116**		61	
Total	**692**		506	

	Year ended 31 December		Year ended 31 December	
	2017	**2018**	2016	2017
Same-store sales (in RMB millions)[1]				
Beijing	**1,670.0**	**1,715.2**	1,477.0	1,603.6
Shanghai	**180.9**	**190.3**	159.9	189.4
Tianjin	**244.9**	**245.5**	206.3	218.9
Hebei[2]	**508.8**	**554.5**	382.7	427.4
Northeast China[3]	**248.7**	**238.5**	95.2	102.6
Other regions[4]	**335.6**	**312.6**	174.9	186.4
Total	**3,188.9**	**3,256.6**	2,495.9	2,728.3
Same-store sales growth (%)[1]				
Beijing	**2.7**		8.6	
Shanghai	**5.2**		18.5	
Tianjin	**0.3**		6.1	
Hebei[2]	**9.0**		11.7	
Northeast China[3]	**(4.1)**		7.7	
Other regions[4]	**(6.9)**		6.6	
Nationwide	**2.1**		9.3	

(1) Calculated based on revenue generated from all sales in the restaurants (including food, beverages and gifts, excluding delivery fees). Such calculation is in line with market practice but different from our previous calculations which only based on sales of food and beverages.

(2) Including 17 cities in Hebei Province.

(3) Including 23 cities in Heilongjiang, Jilin and Liaoning Provinces.

(4) Including 68 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui, Hunan, Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

Outlook for 2019

Business Outlook

In 2019, with the increase of per capita disposable income and the expansion of the middle class, millennials are increasingly focusing on the quality of products and services. Such changes lead to a more accelerated diversification-, specialization- and brand- oriented catering industry.

For these reasons, the Group intends to implement the following measures:

- *Brand red line*: The Group aims to live up to its motto of "quality comes from persistence" and maintain strict food safety and quality standards. The Group will further enforce strict control on food safety and quality, including: (i) continue to implement strict food safety and quality control system and assurance measures are enforced at all levels, including supply chains, logistics, food processing centers and restaurants; (ii) continue to strengthen the Group's centralized purchasing management system using bulk purchase; (iii) work exclusively with reputable and high quality suppliers worldwide; (iv) eliminate intermediaries in the supply chain and implement direct restaurant delivery from suppliers or our distribution centers; and (v) continue to self-evaluate and strictly monitor the Group's food safety and quality control standards and measures.

- *Brand enhancement*: Millennials pursuing "high quality" and "good experience" spending habit are becoming our main customers. In response to such demand, the Group launched the upgraded version of Xiabuxiabu 2.0 experience. In addition to an environmental upgrade, the Group has also upgraded its product mix, utensils, services, as well as enhanced our restaurant operations by the application of information technologies in our operations. The Group expects to give consumers the best value for money along with an overall experience upgrade.

- *Brand extension*: The scale of the delivery market is expected to continue to grow in the next three years. In view of this market capacity, the Group will continue to strengthen its presence in the market by expanding its hot pot delivery services and its food ingredients delivery in response to consumers pursuit for quality ingredients. In addition, in order to make up for the demand that is out of normal delivery hours and to increase market share, the Group will continue to expand the XiaZhuXiaTong business, offering the delivery of ready-to-eat food and beverage, and bring convenience for our consumers.

- *Brand coverage*: The Group will continue to expand its business based on the five-year strategic plan set up back in 2016. In 2019, the Group plans to maintain a rate of expansion similar to 2018. The Group plans to strengthen its leadership in the existing market and enhance market penetration at the same time. The Group will continue to put in more efforts in the development of newer markets such as Eastern China and further develop the Southern China market where the Group has just opened the first restaurant successfully. During the process of expansion, the Group will continue to focus on market research on newly developed regions and strengthen business development capability, marketing strategy, business operations and other collaborations, to ensure continued success in the Group's new stores in the emerging markets.

- *Brand digitalization*: In the "new catering" era, the integration of online and offline operations has become a new trend. With the mobile Internet penetrating into the lives of consumers and the millennials becoming the main consumers of the catering industry, the demand for online ordering and mobile payment has been growing steadily. In response to the trend, the Group takes advantage of online and offline integration to enhance consumer experience and further digitize dining experience in its restaurants.

- *Brand portfolio development*: The Group aspires to fully penetrate into all market segments. Coucou is the high-end brand of the Group, which mainly focuses on family and business dining occasions and fully demonstrates the characteristics of Taiwanese-style hospitality service. Coucou restaurants offer Taiwanese-style dining experiences with specialty dishes, service, ambience and create a unique dining experience which is widely acclaimed by consumers. With its strong brand recognition and reputation among customers, the Group believes Coucou will continue to accelerate the pace of expansion, to pursue high-quality, premium dining experiences, be well perceived by the high-end consumer groups.

- *Brand marketing*: The Group will enhance its brand image by launching a series of online and offline marketing campaigns to enhance its brand awareness. The Group's customer relationship management focuses on marketing activities to further enhance customer loyalty. The Group also plans to mobilize its nearly 80-million customer traffic, and to take advantage of its large customer base and work with well-known brands to launch joint promotion programs.

- *Brand organization management*: The Group strives to strengthen its organization and human resources management. In response to the ever changing market, the Group will strengthen the accountability system of the general managers of each market. At the same time, the Group plans to adopt a performance focused incentive mechanism, thereby improving the management capability of its major business operations managers.

- *Brand diversification*: The Group plans to launch condiment products under Xiabuxiabu brand. In recent years, Chinese consumers are placing increasing emphasis on food safety, quality, healthiness, flavor and tastes of high-end sauce and condiments products. In view of the strong potential of the market for these condiment products, the Company, through the establishment of its non wholly-owned subsidiary, Xiabuxiabu (China) Food Co. Ltd. (呷哺呷哺（中國）食品有限公司), plans to venture into the condiment product business, which supplements and complements the Group's principal catering service business and will further strengthen the brand of the Group.

2019 Industry Outlook

In 2018, the major economic indicators are relatively stable. For the next year, there are still many variables in the external environment, with uncertainties and challenges ahead. The continued rising of protectionism poses a major challenge to the world economy.

Regarding economic growth in the following year, China's short-term economic growth mainly depends on three major demands. Looking at the key index in 2018, domestic demand is still the decisive driver of economic growth, consumption continued to be the pillar to support such growth, which ultimately determines whether consumption will continue to grow steadily in the following year.

As consumers' living standard improves, the development of the catering industry in the next few years will become crucial to the Group's future success. The increase of per capita disposable income and the expansion of the middle class are also contributing to the accelerated diversification, specialization and quality improvement in the catering industry. At the same time, consumers' increasing emphasis on the quality of product and service also leads to the change of consumer behavior from price-oriented to brand-oriented. In addition, as millennials are becoming the main consumer group in the catering industry, their unique consumption behaviors, such as emphasis on quality and brand name and preference for food delivery services, are also changing the competitive landscape of the industry. In the next year, companies in the catering industry will continue to focus on brand development, maintenance and enhancement and internal transformation to achieve an overall quality improvement of their operations. New dining experiences combined with the use of technologies have become the key growth factor of companies in the catering industry. The integration of online and offline business operations will become the future trend of development in the catering industry.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's consolidated statement of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from 2017 to 2018:

	Year Ended 31 December				Year-on-Year Change
	2018		2017		
	RMB	*%*	*RMB*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**4,734,080**	**100.0**	3,663,993	100.0	29.2
Other income	**44,009**	**0.9**	39,825	1.1	10.5
Raw materials and consumables used	**(1,784,481)**	**(37.7)**	(1,365,240)	(37.3)	30.7
Staff costs	**(1,167,868)**	**(24.7)**	(833,366)	(22.7)	40.1
Property rentals and related expenses	**(579,751)**	**(12.2)**	(441,242)	(12.0)	31.4
Utilities expenses	**(170,695)**	**(3.6)**	(131,559)	(3.6)	29.7
Depreciation and amortisation	**(221,117)**	**(4.7)**	(151,325)	(4.1)	46.1
Other expenses	**(288,767)**	**(6.1)**	(238,817)	(6.5)	20.9
Other gains and losses	**44,030**	**0.9**	518	0.0	8,400.0
Profit before tax	**609,440**	**12.9**	542,787	14.8	12.3
Income tax expense	**(147,468)**	**(3.1)**	(122,617)	(3.3)	20.3
Profit for the year	**461,972**	**9.8**	420,170	11.5	9.9
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss, net of income tax:					
Reversal of previously accumulated investment revaluation reserve upon disposal of debt instrument measured at fair value through other comprehensive income ("FVTOCI")	**69**	**0.0**	—	0.0	—
Fair value gain on available-for-sale ("AFS") investments during the year, net of tax	**—**	**0.0**	1,230	0.0	(100.0)
Reversal of previously accumulated investment revaluation reserve upon disposal of AFS investment	**—**	**0.0**	(67)	(0.0)	(100.0)
Other comprehensive income for the year, net of income tax	**69**	**0.0**	1,163	0.0	(94.1)
Total comprehensive income for the year	**462,041**	**9.8**	421,333	11.5	9.7

	Year Ended 31 December				Year-on-Year Change
	2018		2017		
	RMB	*%*	*RMB*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Profit (loss) for the year attributable to:					
Owners of the Company	**462,478**	**9.8**	420,170	11.5	10.1
Non-controlling interest	**(506)**	**(0.0)**	—	0.0	—
	461,972	**9.8**	420,170	11.5	9.9
Total comprehensive income (expense) attributable to:					
Owners of the Company	**462,547**	**9.8**	421,333	11.5	9.8
Non-controlling interest	**(506)**	**(0.0)**	—	0.0	—
	462,041	**9.8**	421,333	11.5	9.7
Earnings per share					
— basic (RMB cents)	**43.49**		39.33		
— diluted (RMB cents)	**42.81**		38.76		

Revenue

The Group's revenue increased by 29.2% from RMB3,664.0 million in 2017 to RMB4,734.1 million in 2018, primarily due to (i) the increase in the number of the Group's restaurants from 759 as of 31 December 2017 to 934 as of 31 December 2018 and (ii) the nationwide same-store sales growth of 2.3% for the Group. In particular, revenue generated from sales of Xiabuxiabu restaurants increased by 16.8% from RMB3,491.6 million in 2017 to RMB4,079.0 million in 2018. The Group opened 168 new Xiabuxiabu restaurants throughout China in 2018 to enhance its restaurant network. The Group also opened 27 new Coucou restaurants in Jiangsu, Hubei, Hunan, Henan, Hebei, Shandong, Shanxi, Fujian, Zhejiang, Beijing, Shanghai and Shenzhen in 2018.

Other income

The Group's other income increased by 10.5% from RMB39.8 million in 2017 to RMB44.0 million in 2018, primarily due to (i) an increase in sale of delivery business from RMB12.7 million in 2017 to RMB16.2 million in 2018 and (ii) a government subsidy of approximately RMB9.2 million received from the local government for the Group's local business development. There were no unfulfilled conditions in the year in which they were recognized.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 30.7% from RMB1,365.2 million in 2017 to RMB1,784.5 million in 2018 as the scale of the Group's operations further increased, including the number of the restaurants in the Group's network and the Group's system-wide sales. As a percentage of the Group's revenue, the Group's raw materials and consumables costs remained relatively stable at 37.7% in 2018 as compared with 37.3% in 2017.

Staff costs

The Group's staff costs increased by 40.1% from RMB833.4 million in 2017 to RMB1,167.9 million in 2018, primarily due to an increase in the number of the Group's employees from 21,200 as of 31 December 2017 to 26,219 as of 31 December 2018, as well as an increase in per capita wages, which in turn was the result of an increase in the minimum wage and statutory social insurance in China. As a percentage of the Group's revenue, the Group's staff costs increased from 22.7% in 2017 to 24.7% in 2018, which was also the result of an increase in per capita wages. In 2018, in connection with the pre-IPO share incentive plan adopted by the Company on 28 August 2009 (the "**Pre-IPO Share Incentive Plan**") and the restricted share unit scheme adopted by the Company on 28 November 2014 (the "**RSU Scheme**"), the Group incurred equity-settled share-based expenses of RMB12.6 million (2017: RMB11.6 million), representing an increase of approximately 8.6%.

Property rentals and related expenses

The Group's property rentals and related expenses increased by 31.4% from RMB441.2 million in 2017 to RMB579.8 million in 2018, primarily due to an increase in the number of the Group's restaurants. As a percentage of the Group's revenue, the Group's property rentals and related expenses remained relatively stable at 12.2% in 2018 as compared with 12.0% in 2017.

Utilities expenses

The Group's utilities expenses increased by 29.7% from RMB131.6 million in 2017 to RMB170.7 million in 2018 as the scale of the Group's operation in terms of number of restaurants continued to increase. As a percentage of the Group's revenue, utilities expenses remained stable at 3.6% in 2018 as in 2017.

Depreciation and amortization

The Group's depreciation and amortization increased by 46.1% from RMB151.3 million in 2017 to RMB221.1 million in 2018, primarily as a result of an increase in the Group's property, plant and equipment as the Group continued to open new restaurants and upgrade to Xiabuxiabu 2.0. As a percentage of the Group's revenue, depreciation and amortization increased from 4.1% in 2017 to 4.7% in 2018.

Other expenses

The Group's other expenses increased by 20.9% from RMB238.8 million in 2017 to RMB288.8 million in 2018. As a percentage of the Group's revenue, the Group's other expenses decreased from 6.5% in 2017 to 6.1% in 2018. The increase in the Group's other expenses in absolute terms was primarily due to (i) an increase in advertising and other marketing expenses; (ii) an increase in logistic fee; and (iii) an increase in delivery expenses due to the expansion of Xiabu Fresh.

Other gains and losses

The Group's other gains significantly increased by more than eighty times from RMB0.5 million in 2017 to RMB44.0 million in 2018, primarily as a result of (i) a net foreign exchange gain of RMB8.8 million the Group recorded in 2018 as compared with a net foreign exchange loss of RMB26.7 million recorded in 2017, (ii) the loss on closure of restaurants decreased to RMB0.4 million in 2018 (2017: RMB1.5 million) and (iii) gains from changes in fair value of financial assets at fair value through profits or loss ("**FVTPL**") increased to RMB42.5 million in 2018 (2017: RMB38.2 million). As a percentage of the Group's revenue, other gains increased from 0.01% in 2017 to 0.9% in 2018.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by 12.3% from RMB542.8 million in 2017 to RMB609.4 million in 2018, and as a percentage of the Group's revenue, the Group's profit before tax decreased from 14.8% in 2017 to 12.9% in 2018.

Without taking into account the expenses the Group incurred in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB12.6 million (2017: RMB11.6 million), the Group's profit before tax would have increased by 12.2% from RMB554.4 million in 2017 to RMB622.0 million in 2018, and decreased from 15.1% in 2017 to 13.1% in 2018 as a percentage of the Group's revenue.

Income tax expense

The Group's income tax expenses increased by 20.3% from RMB122.6 million in 2017 to RMB147.5 million in 2018, primarily as a result of the increase in the Group's taxable income. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax was at 22.6% in 2017 and 24.2% in 2018.

Profit for the year

As a result of the cumulative effect of the above factors, the Group's profit for the year attribute to owners of the Company increased by 10.1% from RMB420.2 million in 2017 to RMB462.5 million in 2018, and as a percentage of the Group's revenue, the Group's profit for the year decreased from 11.5% in 2017 to 9.8% in 2018.

Without taking into account the expenses the Group incurred in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB12.6 million (2017: RMB11.6 million), the Group's profit for the year attribute to owners of the Company would have increased by 10.0% from RMB431.8 million in 2017 to RMB475.1 million in 2018, and decreased from 11.8% in 2017 to 10.1% in 2018 as a percentage of the Group's revenue. For further details, please refer to the section headed "Non-IFRS Measure – (b) Adjusted net profit" below.

Non-IFRS Measure

(a) Restaurant level operating profit

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group also uses restaurant level operating profit as an additional financial measure to evaluate the Group's financial performance at the restaurant level. Restaurant level operating profit is calculated by deducting raw materials and consumables cost and restaurant level staff costs, restaurant level rental and property related expenses, restaurant level depreciation and amortization and other restaurant level expenses from the Group's revenue generated from Xiabuxiabu restaurants. In 2018, the Group managed to grow its revenue generated from the Coucou restaurants by 374.9% from RMB117.0 million in 2017 to RMB555.6 million in 2018, which accounted for approximately 12.0% of the total revenue of the Group in 2018, primarily due to continual effort to expand the Coucou restaurant network. Restaurant level operating profit turned from a loss of RMB24.9 million in 2017 to a profit of RMB64.8 million in 2018. Xiabuxiabu restaurants continued to contribute the largest source of revenue and restaurant level operating profit for the Group. The continual expanding of restaurants was one reason that drove revenue to grow rapidly in 2018, the fast expansion of the delivery business was another reason that helped deliver the growth. In 2018, in order to expand the delivery business, we (i) started our food ingredient delivery and instant hotpot business "XiaZhuXiaTang" that built up an emerging delivery business and increased our competitive advantage against the traditional hotpot delivery model; (ii) rapidly developed our geographical distribution focus, from only 5 cities in 2017 to 75 tier-one and two cities; and quickly obtained market share through the use of a huge amount of marketing activities. At the end of this year, sales revenue from the delivery business was nearly 203.3% of that of the last year. In 2018, as we moved into the 20th anniversary of Xiabuxiabu's operation, along with approximately 60% of upgraded stores, we strategically invested in larger branding and marketing fee, to fully promote the Xiabuxiabu brand and quality, especially targeting the millennial customers who look for premium quality, to showcase our quality and highlight the advantages of our quality ingredients such as the classic Ximen lamb, allowing our customers to have the opportunity to taste the high-quality ingredients and tastes from our main product line. We helped customers to understand the upgrade is not purely to decorate our restaurants to become an Internet sensation, it is also a full-scale upgrade from environment to the quality of ingredients, service upgrade to help the Company to win and obtain further goodwill and market share.

Although the management, especially the branding officer, realized that the above-mentioned marketing activities and promotion in our delivery business will affect the restaurant level operating profit to a certain extent, but such effort in enhancing our brand image in the long run will help Xiabuxiabu to lay down the foundation for future growth in market and goodwill exposure. This is why we need to start investing in advance, as 2018 is the strategic year where the brand and quality have been well-established. In fact, in relatively matured regions the sales and profits have started to grow at a similar pace. We believe as we promote the brand more in the newly developed regions, first we will see sales growth and then eventually growth in profits will follow soon after.

The table below sets forth the breakdown of revenue generated from Xiabuxiabu restaurants by geographical regions, each presented as a percentage of the total revenue generated therefrom for the periods indicated, as well as the geographical breakdown of the restaurant level operating profit generated from Xiabuxiabu restaurants, each presented as a percentage of the regional revenue generated therefrom for the periods indicated:

	Year ended 31 December			
	2018		2017	
	RMB	*%*	*RMB*	*%*
	(In thousands, except for percentages)			
Revenue:				
Beijing	**1,925,145**	**47.2**	1,814,861	52.0
Shanghai	**216,330**	**5.3**	211,797	6.0
Tianjin	**317,011**	**7.8**	269,874	7.7
Hebei(1)	**682,930**	**16.7**	558,609	16.0
Northeast China(2)	**370,319**	**9.1**	271,100	7.8
Other regions(3)	**567,215**	**13.9**	365,374	10.5
Total	**4,078,950**	**100**	3,491,615	100.0
Restaurant Level Operating Profit and Margin Performance(2):				
Beijing	**512,305**	**26.6**	526,308	29.0
Shanghai	**21,407**	**9.9**	27,890	13.2
Tianjin	**59,527**	**18.8**	59,449	22.0
Hebei(1)	**159,133**	**23.3**	136,627	24.5
Northeast China(2)	**46,863**	**12.7**	39,512	14.6
Other regions(3)	**33,573**	**5.9**	37,577	10.3
Total	**832,808**	**20.4**	827,363	23.7

(1) Including 17 cities in Hebei Province.

(2) Including 23 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 68 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui, Hunan, Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

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

As the Group successfully expanded into additional markets, the Group's revenue generated from Xiabuxiabu restaurants in Beijing decreased as a percentage of the Group's total revenue generated therefrom from 52.0% in 2017 to 47.2% in 2018.

As a percentage of the Group's revenue generated from Xiabuxiabu restaurants, the Group's restaurant level operating profit generated therefrom decreased from 23.7% in 2017 to 20.4% in 2018 primarily attributable to increases in various operating expenses.

(b) Adjusted net profit

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

	Year ended 31 December	
	2018	2017
	(In RMB thousands)	
Profit for the year attributable to owners of the Company	**462,478**	420,170
Equity-settled share-based payments	**12,634**	11,612
Adjusted net profit[(1)]	**475,112**	431,782

(1) Adjusted net profit is an unaudited non-GAAP item. The Group uses such unaudited non-IFRS adjusted net profit as an additional financial measure to supplement the consolidated financial statements which are presented in accordance with IFRS and to evaluate the financial performance of the Group by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the business of the Group. Other companies

in the industry the Group operates in may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under IFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under IFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

Liquidity and capital resources

In 2018, the Group financed its operations primarily through cash from the Group's operations. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, as well as the net proceeds received from the Company's initial public offering (the "**Global Offering**").

Cash and cash equivalents

As of 31 December 2018, the Group had cash and cash equivalents of RMB1,340.7 million as compared with RMB1,452.9 million as of 31 December 2017, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi (as to 88.2%), Hong Kong dollars (as to 2.3%), and U.S. dollars (as to 9.5%).

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

Net proceeds from the Global Offering (including the partial exercise of the over-allotment option on 9 January 2015), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering which the Company received amounted to an aggregate of approximately HK$1,043.5 million, comprising HK$1,001.5 million raised from the Global Offering and HK$42.0 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option. Up to 31 December 2018, the Company utilized approximately 2.8%, or HK$29.1 million of the net proceeds from the Global Offering to provide funding for the Group's working capital and other general corporate purposes, including the payment of the Group's staff costs and professional service fees. The Group had not yet utilized any net proceeds from the global offering to fund its expansion plan as the Group had to date applied its available internal financial resources to fund its expansion plan. The remaining net proceeds has been deposited into short-term demand deposits and money market instruments such as short-term financial products issued by reputable commercial banks as well as bonds. In 2019 and in the upcoming years, the Group will continue to utilize the net proceeds from the Global Offering and for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 5 December 2014 (the "**Prospectus**").

Financial assets at FVTPL

The Company subscribed for and held various short-term investments throughout the year ended 31 December 2018, which mainly represented short-term investments in financial products ("**Financial Products**") issued by Bank of Communications Co., Ltd., China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd. and Fubon Bank (China) Co., Ltd. The Financial Products were not principal protected nor with pre-determined or guaranteed return. The Company generally subscribed for the Financial Products on a revolving basis, which means that the Company would subscribe for additional Financial Products when the terms of certain Financial Products previously subscribed for by the Company expired. As of 31 December 2018, all the Financial Products had expired, thus the Group did not have any short-term investments as of that date.

The Financial Products which the Company subscribed for during the year ended 31 December 2018 were with a term ranging from 5 days to 181 days and an expected return rate ranging from 3.6% to 5.3% per annum. As of 31 December 2018, all Financial Products subscribed for by the Company in 2018 had been fully redeemed or matured and the Group had totally recovered the principal and received the expected returns upon the redemption or maturity of the Financial Products.

The underlying investments of the Financial Products were primarily (i) fixed income products such as corporate and government bonds with AA rating if a rating has been obtained, deposits and other money market funds; (ii) structured equities or securities investment products and/or other asset management plans or funds; and (iii) non-standardized debts instruments such as entrustment loans, acceptance bills and/or letter of credits.

Subscriptions of Financial Products were made for treasury management purpose to maximize the return on the unutilized funds of the Company after taking into account, among others, the level of risk, return on investment and the term to maturity. Generally, the Company had in the past selected short-term financial products issued by reputable commercial banks that had relatively low associated risk. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such Financial Products. Although the Financial Products were marketed as wealth management products which were not principal protected nor with pre-determined or guaranteed return, the underlying investments were considered to have relatively low risk and are also in line with the internal risk management, cash management and investment policies of the Group as the Company had, in the past, totally recovered the principal and received the expected returns upon the redemption or maturity of the Financial Products. In addition, the Financial Products were with flexible redemption terms or a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return. However, in accordance with the relevant accounting standards, the Financial Products are accounted for as financial assets at FVTPL.

In view of an upside of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend, as well as the low risk nature and the flexible redemption terms or a relatively short term of maturity of the Financial Products, the directors of the Company (the "**Directors**") are of the view that the Financial Products pose little risk to the Group and the terms and conditions of each of the subscriptions are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Details of subscriptions of Financial Products during the year ended 31 December 2018 which constituted notifiable transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were disclosed in the relevant discloseable transaction announcements published by the Company in 2018. Save as otherwise disclosed in these announcements, there was no other single short-term investment in the Group's investment portfolio that was considered a significant investment as none of the investments has a carrying amount that account for more than 5% of the Group's total assets as of 31 December 2018.

The Group purchased additional products with an aggregate principal amount of RMB1,090.0 million from 1 January 2019 up to the date of this announcement which remained outstanding as at the date of this announcement. Save as disclosed in these announcements, no new financial products have been purchased by the Group up to the date of this announcement. Details of the subscription of such financial products subsequent to the Reporting Period and which constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules were disclosed in the announcements of the Company dated 11 January 2019, 14 January 2019, 16 January 2019 and 26 March 2019, respectively.

Indebtedness

As of 31 December 2018, the Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection thereof.

Capital expenditures

The Group made payment for the capital expenditures representing the purchase of property, plant and equipment of RMB491.6 million in 2018 in connection with new restaurant opening and re-decoration and furnishing of existing stores. In 2017, the Group made payment for the capital expenditures of RMB290.4 million. The Group's capital expenditure in 2018 was funded primarily by cash generated from its operating activities. In particular, after considering the Group's restaurant opening plan, the Group funded the opening of new restaurants that the Group planned to fund with the net proceeds from the Global Offering with its existing cash instead. In 2018, the Group opened a total of 195 new restaurants. As of 31 December 2018, the Company did not have any charge over its assets.

Contingent liabilities and guarantees

As of 31 December 2018, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Material acquisitions and future plans for major investment

During the year ended 31 December 2018, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Employee and staff costs

As of 31 December 2018, the Group had a total of 26,219 employees. In particular, 131 employees worked at the Group's food processing facilities, 2,389 were responsible for restaurant management, 22,634 were restaurant staff and 1,065 were administrative staff.

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

For the year ended 31 December 2018, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB1,167.9 million, representing approximately 24.7% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 10,457,709 shares (representing approximately 0.97% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as of 31 December 2018. The Company has also adopted the RSU Scheme which became effective upon the date of listing of the Company. Computershare Hong Kong Trustees Limited has been appointed as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme (the "**RSU Trustee**"). During the year ended 31 December 2018, the RSU Trustee purchased an aggregate of 4,672,500 shares at a total cash consideration of approximately HK$59.8 million on-market to hold on trust for the benefit of the participants of the RSU Scheme (the "**RSU Participants**") pursuant to the rules of the RSU Scheme and the trust deed entered into between the Company and the RSU Trustee. Such shares will be used as awards for relevant RSU Participants upon the grant and vesting of restricted share units ("**RSUs**"). As of 31 December 2018, RSUs in respect of an aggregate of 5,458,290 shares (representing approximately 0.51% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the RSU Scheme remained outstanding. Further details of the Pre-IPO Share Incentive Plan and the RSU Scheme, together with, among others, the details of the options granted under the Pre-IPO Share Incentive Plan and the RSUs granted under the RSU Scheme, will be set out in the section headed "Directors' Report" in the Company's 2018 annual report to be issued in due course.

Final Dividend

The Board recommends the payment of a final dividend of RMB0.096 per share, amounting to approximately a total of RMB101.2 million for the year ended 31 December 2018 (the "**2018 Final Dividend**"), representing approximately 40% of the Group's net profit for the six months ended 31 December 2018. The 2018 Final Dividend is intended to be paid out of the Company's share premium account and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**").

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended 31 December 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		For the year ended 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**4,734,080**	3,663,993
Other income		**44,009**	39,825
Raw materials and consumables used		**(1,784,481)**	(1,365,240)
Staff costs		**(1,167,868)**	(833,366)
Property rentals and related expenses		**(579,751)**	(441,242)
Utilities expenses		**(170,695)**	(131,559)
Depreciation and amortisation		**(221,117)**	(151,325)
Other expenses		**(288,767)**	(238,817)
Other gains and losses	*4*	**44,030**	518
Profit before tax	*5*	**609,440**	542,787
Income tax expense	*6*	**(147,468)**	(122,617)
Profit for the year		**461,972**	420,170
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss, net of income tax:			
Reversal of previously accumulated investment revaluation reserve upon disposal of debt instrument measured at fair value through other comprehensive income ("FVTOCI")		**69**	—
Fair value gain on available-for-sale ("AFS") investments during the year, net of tax		**—**	1,230
Reversal of previously accumulated investment revaluation reserve upon disposal of AFS investment		**—**	(67)
Other comprehensive income for the year, net of income tax		**69**	1,163
Total comprehensive income for the year		**462,041**	421,333

	Notes	For the year ended 31 December 2018 RMB'000	2017 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**462,478**	420,170
Non-controlling interest		**(506)**	—
		461,972	420,170
Total comprehensive income (expense) attributable to:			
Owners of the Company		**462,547**	421,333
Non-controlling interest		**(506)**	—
		462,041	421,333
Earnings per share			
— basic (RMB cents)	*7*	**43.49**	39.33
— diluted (RMB cents)	*7*	**42.81**	38.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		As at 31 December	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**911,088**	599,053
Intangible assets		**1,723**	1,119
Lease prepayments for land use right		**47,218**	48,538
Deferred tax assets		**134,110**	129,926
Rental deposits		**120,353**	86,460
		1,214,492	865,096
Current assets			
Inventories		**390,381**	326,783
Trade and other receivables and prepayments	*9*	**307,751**	168,052
AFS investment		—	32,765
Bank balances and cash		**1,340,692**	1,452,896
		2,038,824	1,980,496
Current liabilities			
Trade payables	*10*	**295,870**	269,163
Accrual and other payables		**551,281**	468,625
Income tax payables		**101,760**	100,547
Contract liability		**43,651**	—
Deferred income		**1,595**	8,439
		994,157	846,774
Net current assets		**1,044,667**	1,133,722
Total assets less current liabilities		**2,259,159**	1,998,818
Non-current liability			
Deferred income		**11,692**	13,287
Net assets		**2,247,467**	1,985,531
Capital and reserves			
Share capital	*11*	**174**	173
Share premium and reserves		**2,241,265**	1,985,358
Equity attributable to owners of the Company		**2,241,439**	1,985,531
Non-controlling interest		**6,028**	—
Total equity		**2,247,467**	1,985,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by IASB for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRS 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognized in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

The Group recognizes revenue from the following major sources which arise from contracts with customers:

- restaurant operations
- sales of the condiment products and other goods

Summary of effects arising from initial application of IFRS 15

The impact of transition to IFRS 15 on retained profits at 1 January 2018 and the impact of applying IFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the year is immaterial.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under IFRS 15 at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Accrual and other payables	468,625	(10,371)	458,254
Contract liability	—	17,215	17,215
Deferred income	8,439	(6,844)	1,595

At the date of initial application, included in the total deferred income and accrual and other payables, RMB6,844,000 related to the customer loyalty programme and RMB10,371,000 related to prepaid cards and advance from customers, were reclassified to contract liabilities upon application of IFRS 15.

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported *RMB'000*	Adjustments *RMB'000*	Amounts without application of IFRS 15 *RMB'000*
Current liabilities			
Accrual and other payables	551,281	28,455	579,736
Contract liability	43,651	(43,651)	—
Deferred income	1,595	15,196	16,791

As at 31 December 2018, contract liability represent the balance of unredeemed performance obligation relating to the customer loyalty programme and prepaid cards and advance from customers.

2.2 *IFRS 9 Financial Instruments*

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	AFS investment	Debt instrument at FVTOCI
	RMB'000	*RMB'000*
Closing balance at 31 December 2017 — IAS 39	32,765	—
Effect arising from initial application of IFRS 9:		
Reclassification from AFS	(32,765)	32,765
Opening balance at 1 January 2018	—	32,765

AFS investment

<u>From AFS debt investments to FVTOCI</u>

At the date of initial application of IFRS 9, the listed bonds with a fair value of RMB32,765,000 was reclassified from AFS investment to debt instruments at FVTOCI, as this investments is held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of this investment is solely payment of principal and interest on the principal amount outstanding. Related fair value losses of RMB69,000 continued to accumulate in the FVTOCI reserve as at 1 January 2018.

<u>Impairment under ECL model</u>

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the credit-quality level of the counterparties. The credit risk on the trade receivables had not increased significantly since the initial recognition.

Except for those which had been determined as credit impaired under IAS 39, ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the Group's average loss rate when considering the impairment of financial assets is insignificant, and no additional credit loss allowance was recognized.

Except as described above, the application of other amendments to IFRSs in the current period have no material effect on the amounts reported and disclosures set out in these condensed consolidated financial statements.

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards, amendments and interpretation

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognized for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	IFRS 15	IFRS 9	1 January 2018 (Restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
AFS Investment	32,765	—	(32,765)	—
Debt instrument at FVTOCI	—	—	32,765	32,765
Current Liabilities				
Accrual and other payables	468,625	(10,371)	—	458,254
Contract liability	—	17,215	—	17,215
Deferred income	8,439	(6,844)	—	1,595

3. REVENUE AND SEGMENT INFORMATION

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

	For the year ended 31 December 2018	2017
	RMB'000	*RMB'000*
Restaurant operations	**4,623,340**	3,599,065
Sales of the condiment products	**57,693**	34,040
Sales of other goods	**53,047**	30,888
	4,734,080	3,663,993

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

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

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

4. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment, net	**(656)**	(644)
Loss on disposal of intangible assets, net	**(237)**	—
Foreign exchange gain (loss), net	**8,789**	(26,749)
Reversal of investment revaluation reserve on disposal of AFS investment	**—**	67
Loss from disposal of debt instrument at FVTOCI	**(69)**	—
Loss on closure of restaurants	**(403)**	(1,490)
Impairment loss reversal (recognized) on rental deposit	**1,596**	(1,145)
Impairment loss recognized in respect of leasehold improvement	**(7,448)**	(7,738)
Gain from changes in fair value of financial assets at FVTPL	**42,458**	38,217
	44,030	518

5. PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**218,591**	150,025
Amortisation of intangible assets	**1,206**	766
Release of lease prepayments for land use right	**1,320**	534
Total depreciation and amortisation	**221,117**	151,325
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**21,120**	14,116
— restaurants		
— minimum lease payments	**475,993**	364,806
— contingent rent *(Note)*	**82,638**	62,320
	558,631	427,126
Total property rentals and related expenses	**579,751**	441,242
Directors' emoluments	**10,816**	9,968
Other staff cost		
Salaries and other allowance	**1,073,755**	759,670
Equity-settled share-based payments	**5,790**	5,644
Retirement benefit contribution	**77,507**	58,084
Total staff costs	**1,167,868**	833,366
Auditor's remuneration	**2,850**	2,620

Note:

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

6. INCOME TAX EXPENSE

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Enterprise income tax ("**EIT**")		
Current tax in the PRC	**151,281**	158,496
Withholding EIT-current year	**371**	15,343
Deferred tax	**(4,184)**	(51,222)
Total income tax recognized in profit or loss	**147,468**	122,617

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Company's subsidiary, Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. ("**Xiabu Hong Kong**"), incorporated in Hong Kong is qualifying for the two-tiered profits tax rates regime. Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax ("**EIT Law**") effective from 1 January 2008 and Implementation Regulation of the EIT Law, the statutory EIT rate of PRC subsidiaries of the Company is 25%.

7. EARNINGS PER SHARE

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	**462,478**	420,170

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

	For the year ended 31 December	
	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,063,420**	1,068,366
Effect of dilutive potential ordinary shares	**16,793**	15,534
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,080,213**	1,083,900

8. DIVIDENDS

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Dividends recognized as distributions during the year	**176,528**	166,864

On 21 March 2018, the Company declared a dividend of RMB0.087 per share with total dividends of RMB92,785,000 to shareholders for the year ended 31 December 2017. The dividend was paid in June 2018.

On 27 August 2018, the Company declared a dividend of RMB0.078 per share with total dividends of RMB83,743,000 to shareholders for the six months ended 30 June 2018. The dividend was paid in October 2018.

On 28 March 2017, the Company declared a dividend of RMB0.086 per share with total dividends of RMB91,582,000 to shareholders for the year ended 31 December 2016. The dividend was paid in June 2017.

On 22 August 2017, the Company declared a dividend of RMB0.070 per share with total dividends of RMB75,282,000 to shareholders for the six months ended 30 June 2017. The dividend was paid in October 2017.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2018 of RMB0.096 per share, amounting to approximately RMB101,248,000 to be paid out of the Company's share premium amount, which is subject to the approval by the shareholders at the forthcoming general meeting, to be held on 24 May 2019. The 2018 final dividend will be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 12 June 2019. The dividend has not been included as a liability in these consolidated financial statements.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**38,657**	13,854
Prepaid operating expenses	**76,634**	44,071
Prepayments to suppliers	**6,030**	—
Current portion of lease prepayments for land use right	**1,077**	1,077
Interest receivable	**53**	7,341
Amounts prepaid to the RSU trustee for purchase of ordinary shares	**1,053**	1,013
Prepayments for value-added tax	**164,918**	85,588
Other receivables	**19,329**	15,108
Total trade and other receivables and prepayments	**307,751**	168,052

As at 31 December 2018 and 1 January 2018, trade receivables from payment platforms amounted to RMB38,657,000 and RMB13,854,000 respectively.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 60 days	**38,657**	13,854

At the end of the reporting period, there is no trade receivable that has expired but not impaired.

10. TRADE PAYABLES

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 60 days	**290,088**	262,946
61 to 180 days	**1,709**	3,371
181 days to 1 year	**302**	1,928
Over 1 year	**3,771**	918
	295,870	269,163

11. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December	
	2018	2017
	USD'000	*USD'000*
Share capital of US$0.000025 each	**27**	27
	RMB'000	*RMB'000*
Presented as:		
Ordinary shares	**174**	173

	As at 31 December	
	2018	2017
	'000	*'000*
Number of shares:		
Fully paid ordinary shares	**1,076,393**	1,072,459

Ordinary shares

	Authorized shares		Issued capital	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*
Balance at 31 December 2016	2,000,000	336	1,065,912	172
Exercise of issued share option	—	—	6,547	1
Balance at 31 December 2017	2,000,000	336	1,072,459	173
Exercise of issued share option	—	—	3,934	1
Balance at 31 December 2018	2,000,000	336	1,076,393	174

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2018.

For details of the shares purchased by the RSU Trustee for the purpose of the RSU Scheme during the year ended 31 December 2018, please refer to the section headed "Management Discussion and Analysis — Employee and staff costs" above.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommends the payment of the 2018 Final Dividend of RMB0.096 per share for the year ended 31 December 2018 to be paid out of the Company's share premium account, which is subject to the approval of the Company's shareholders at the forthcoming AGM to be held on 24 May 2019. The 2018 Final Dividend will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 12 June 2019.

The register of members of the Company will be closed from 21 May 2019 to 24 May 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on 24 May 2019, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 20 May 2019.

Subject to the approval of the declaration of the 2018 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from 31 May 2019 to 4 June 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the 2018 Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 30 May 2019. The 2018 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on or about 14 June 2019 to those shareholders whose names appear on the register of members of the Company on 4 June 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2018, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2018.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises two independent non-executive Directors, namely, Ms. Hsieh Lily Hui-yun and Mr. Hon Ping Cho Terence and a non-executive Director, namely Mr. Zhang Chi (Ms. Li Jie as his alternate). Ms. Hsieh Lily Hui-yun is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

This annual results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and that of the Company (www.xiabu.com). The annual report of the Company for the year ended 31 December 2018 will be despatched to the shareholders of the Company and will be available on the website of The Stock Exchange of Hong Kong Limited and that of the Company in due course.

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

Hong Kong, 28 March 2019

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