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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Year-on Year
	RMB'000	*RMB'000*	Change
	(unaudited)	(audited)	*%*
Revenue	**6,030,167**	4,734,080	27.4
Profit before tax without IFRS 16 impact(1)(3)	**600,463**	609,440	(1.5%)
Profit before tax	**503,193**	609,440	(17.4)
Total profit for the year attributable to owners of the Company	**288,100**	462,478	(37.7)
Adjusted net profit(2)(3)	**396,350**	475,112	(16.6)

PROPOSED FINAL DIVIDEND

Proposed final dividend of RMB0.046 per share, amounting to approximately a total of RMB49.6 million for the year ended 31 December 2019 and representing approximately 40% of the Group's net profit for the six months ended 31 December 2019. The 2019 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 8 June 2020.

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(1) Profit before tax without IFRS 16 impact as calculated by deducting expense related to the impact of implementation of International Financial Reporting Standard 16 "Lease" ("**IFRS 16**").

(2) Adjusted net profit is calculated by deducting expense related to equity-settled share-based payments from the Group's staff costs and the impact of IFRS 16.

(3) Adjusted net profit and profit before tax without IFRS 16 impact 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 unaudited results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019. For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed.

BUSINESS REVIEW AND OUTLOOK

Overview

In 2019, the Group opened 189 Xiabuxiabu restaurants and 54 Coucou restaurants. As of 31 December 2019, the Group owned and operated 1,022 Xiabuxiabu restaurants in 125 cities over 22 provinces and autonomous regions and in three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China.

The Group's revenue grew by 27.4% from RMB4,734.1 million in 2018 to RMB6,030.2 million in 2019, primarily due to the Group's efforts to expand its restaurant network. Due to the slowdown in China's economic growth and the increasing uncertainty in the external environment, as well as the intense competition in the market, the Group implemented more sales promotions to stimulate customer spending in 2019. As such, same-store sales of the Xiabuxiabu restaurants nationwide decreased by 1.4% in 2019. As of 31 December 2019, the Group's net current assets decreased from RMB1,044.7 million as of 31 December 2018 to RMB292.9 million as of 31 December 2019, primarily due to the implementation of IFRS 16 which led to a significant increase in the Group's lease liabilities and an increase in contract liabilities arising from prepaid cards.

As of 31 December 2019, the Group owned 102 Coucou restaurants in Jiangsu, Hubei, Hunan, Henan, Hebei, Shandong, Shanxi, Fujian, Shaanxi, Zhejiang, Yunnan, Anhui and Guangdong provinces, Beijing and Shanghai municipalities and Hong Kong SAR. Revenue generated from the Group's Coucou restaurants increased by 116.0% from RMB555.6 million in 2018 to RMB1,200.1 million in 2019, primarily due to continuous effort to expand the Coucou restaurant network.

Industry review

In 2019, the growth of China's domestic economy slowed down amid the increasing uncertainty in the external environment. On the other hand, domestic structural readjustment, favorable government policies, transformation and upgrading continued to be the backbone to maintain the growth of the economy. China's GDP grew at a rate of 6.1% in 2019, and actual per capita disposable income of urban and rural areas grew by 5.8%. Consumer price index rose by 2.9%, which was mainly driven by the increase in the price of pork, which went up by 42% as compared to that in 2018. The structural optimization in the service sector continued to develop in 2019, which also contributed to the growth of China's economy. Service consumption has also accelerated together with consumer's growing demand for services with higher quality and efficiency.

Overall Business and Financial Performance

The Group's restaurant network

In 2019, the Group adhered to its restaurant network expansion plan and opened a total of 243 new restaurants, including 189 Xiabuxiabu restaurants and 54 Coucou restaurants. In addition, the Group closed a total of 53 restaurants in 2019 due to various commercial reasons. In aggregate, the Group's restaurants in operation increased by 190 in 2019. A substantial portion of the Group's revenue 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			
	2019		2018	
	#	**%**	#	%
Beijing	**313**	**30.6**	309	34.9
Shanghai	**56**	**5.5**	52	5.9
Tianjin	**88**	**8.6**	81	9.1
Hebei(1)	**165**	**16.1**	148	16.7
Northeast China(2)	**126**	**12.3**	102	11.5
Jiangsu(3)	**34**	**3.3**	29	3.3
Shandong(4)	**45**	**4.4**	31	3.5
Shanxi(5)	**36**	**3.5**	27	3.0
Other regions(6)	**159**	**15.6**	107	12.1
Total	**1,022**	**100.0**	886	100.0

(1) Including 17 cities in Hebei Province.

(2) Including 25 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 7 cities in Jiangsu Province.

(4) Including 14 cities in Shandong Province.

(5) Including 13 cities in Shanxi Province.

(6) Including 49 cities in Fujian, Guangdong, Guangxi, Yunnan, Hainan, Zhejiang, Henan, Shaanxi, Anhui, Gansu, Hunan, Hubei and Qinghai 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 and for the years ended 31 December	
	2019	2018
Net revenue (in RMB thousands)		
Beijing	**2,016,385**	1,925,145
Shanghai	**215,142**	216,330
Tianjin	**371,390**	317,011
Hebei(3)	**828,731**	682,930
Northeast China(4)	**423,766**	373,988
Jiangsu(5)	**104,789**	95,758
Shandong(6)	**115,289**	69,825
Shanxi(7)	**164,777**	115,486
Other regions(8)	**430,609**	282,477
Total	**4,670,878**	4,078,950
Average spending per customer (RMB)(1)		
Beijing	**57.8**	55.4
Shanghai	**53.3**	52.5
Tianjin	**56.2**	52.6
Hebei(3)	**55.0**	51.5
Northeast China(4)	**51.1**	51.3
Jiangsu(5)	**54.4**	52.5
Shandong(6)	**55.2**	52.1
Shanxi(7)	**54.9**	50.0
Other regions(8)	**55.6**	51.6
Total	**55.8**	53.3
Seat turnover rate (X)(2)		
Beijing	**3.5**	3.6
Shanghai	**2.6**	2.6
Tianjin	**2.4**	2.6
Hebei(3)	**2.8**	2.9
Northeast China(4)	**2.0**	2.2
Jiangsu(5)	**1.7**	1.7
Shandong(6)	**1.8**	1.8
Shanxi(7)	**2.5**	2.8
Other regions(8)	**1.7**	1.6
Total	**2.6**	2.8

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

(3) Including 17 cities in Hebei Province.

(4) Including 25 cities in Heilongjiang, Jilin and Liaoning Provinces.

(5) Including 7 cities in Jiangsu Province.

(6) Including 14 cities in Shandong Province.

(7) Including 13 cities in Shanxi Province.

(8) Including 49 cities in Fujian, Guangdong, Guangxi, Yunnan, Hainan, Zhejiang, Henan, Shaanxi, Anhui, Gansu, Hunan, Hubei and Qinghai Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

In 2019, the Group successfully implemented its nationwide expansion plan, the Group's revenue generated from restaurants outside of Beijing continued to increase in absolute term and as a percentage of the Group's total revenue in 2019, reaching approximately 56.8% of the Group's total revenue. On the other hand, average customer spending continued to increase in 2019, 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 Xiabuxiabu restaurants same-store sales for the years indicated. The Xiabuxiabu restaurants same-store base is defined as those Xiabuxiabu restaurants that were in operation throughout the years under comparison.

<table>
<tr><th></th><th colspan="2">**Year ended 31 December**</th><th colspan="2">Year ended 31 December</th></tr>
<tr><th></th><th>**2018**</th><th>**2019**</th><th>2017</th><th>2018</th></tr>
<tr><td>**Number of same-store (#)**</td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>Beijing</td><td colspan="2">**287**</td><td colspan="2">273</td></tr>
<tr><td>Shanghai</td><td colspan="2">**49**</td><td colspan="2">49</td></tr>
<tr><td>Tianjin</td><td colspan="2">**74**</td><td colspan="2">60</td></tr>
<tr><td>Hebei[(1)]</td><td colspan="2">**137**</td><td colspan="2">122</td></tr>
<tr><td>Northeast China[(2)]</td><td colspan="2">**88**</td><td colspan="2">72</td></tr>
<tr><td>Jiangsu[(3)]</td><td colspan="2">**28**</td><td colspan="2">27</td></tr>
<tr><td>Shandong[(4)]</td><td colspan="2">**22**</td><td colspan="2">19</td></tr>
<tr><td>Shanxi[(5)]</td><td colspan="2">**24**</td><td colspan="2">14</td></tr>
<tr><td>Other regions[(6)]</td><td colspan="2">**100**</td><td colspan="2">56</td></tr>
<tr><td>Total</td><td colspan="2">**809**</td><td colspan="2">692</td></tr>
</table>

	Year ended 31 December		Year ended 31 December	
	2018	**2019**	2017	2018
Same-store sales (in RMB million)				
Beijing	**1,750.4**	**1,753.8**	1,670.0	1,715.2
Shanghai	**179.7**	**162.4**	180.9	190.3
Tianjin	**287.3**	**284.6**	244.9	245.5
Hebei[(1)]	**608.1**	**659.8**	508.8	554.5
Northeast China[(2)]	**335.5**	**278.1**	247.5	235.0
Jiangsu[(3)]	**81.3**	**76.8**	61.8	73.1
Shandong[(4)]	**57.3**	**56.9**	45.3	49.8
Shanxi[(5)]	**105.4**	**102.7**	19.0	57.4
Other regions[(6)]	**220.3**	**200.9**	210.8	135.9
Total	**3,625.4**	**3,576.1**	3,188.9	3,256.6

<table>
<tr><td>**Same-store sales growth (%)**</td><td colspan="2"></td><td colspan="2"></td></tr>
<tr><td>Beijing</td><td colspan="2">**0.2**</td><td colspan="2">2.7</td></tr>
<tr><td>Shanghai</td><td colspan="2">**(9.6)**</td><td colspan="2">5.2</td></tr>
<tr><td>Tianjin</td><td colspan="2">**(1.0)**</td><td colspan="2">0.3</td></tr>
<tr><td>Hebei[(1)]</td><td colspan="2">**8.5**</td><td colspan="2">9.0</td></tr>
<tr><td>Northeast China[(2)]</td><td colspan="2">**(17.1)**</td><td colspan="2">(5.1)</td></tr>
<tr><td>Jiangsu[(3)]</td><td colspan="2">**(5.6)**</td><td colspan="2">18.4</td></tr>
<tr><td>Shandong[(4)]</td><td colspan="2">**(0.7)**</td><td colspan="2">9.8</td></tr>
<tr><td>Shanxi[(5)]</td><td colspan="2">**(2.3)**</td><td colspan="2">202.8</td></tr>
<tr><td>Other regions[(6)]</td><td colspan="2">**(8.8)**</td><td colspan="2">(35.5)</td></tr>
<tr><td>Nationwide</td><td colspan="2">**(1.4)**</td><td colspan="2">2.1</td></tr>
</table>

(1) Including 17 cities in Hebei Province.

(2) Including 25 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 7 cities in Jiangsu Province.

(4) Including 14 cities in Shandong Province.

(5) Including 13 cities in Shanxi Province.

(6) Including 49 cities in Fujian, Guangdong, Guangxi, Yunnan, Hainan, Zhejiang, Henan, Shaanxi, Anhui, Gansu, Hunan, Hubei and Qinghai Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

Outlook for 2020

Business Outlook

In 2019, with increases of per capita disposable income and the expansion of the middle class, millennials have been 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:

Talent development strategy

The Group emphasizes on "people" to describe the importance of "long-, medium- and short-" term personnel development strategies. There are many factors for systemic reform and driving force involved. By working with the Group to focus on the important locations, firstly because of the continuous expansion of geographical coverage, so it is very important to maintain supply of high quality operating front-line staff. The talent committee is committed to review the entire inventory of front-line staff, this review is very strict, not only will the last three years of performance be reviewed, but also included assessment of development potential, management ability and staff presentation to the third party and the talent committee. This review is the most stringent in the history of Xiabu, this ensures the quality of staff that are dispatched to develop in different locations. The review also ensures that effective support policies for relocation staff, including mentors and guidance assurance system. At the end of this, the profitable areas will immediately be identified, at the same time the high potential operators will quickly be put in place to manage the weaker areas. The effect has begun to be shown. At the same time, the management team reviews the incentive mechanism for the front-line operators and gradually replaces with better incentives mechanism that can stimulate operator with self-driving force. It is believed that with the gradual implementation of this reform, the front-line staff will be able to develop quickly.

Product strategy

The management team agreed that it was more about rapidly upgrading new products, which are one of the incentives to attract customers to repeated consumption and another way to keep the brand new. The Group's first product strategy is divided into "niche products", which are used to ensure the gross margin of bulk ingredients. At the same time, the establishment of "complementary categories" to enrich consumers' choices, while breaking down the pressure from the main ingredients, e.g launching of chicken products in the second half of the year, and afternoon snack products are also being developed to supplement the future full day operations; "Seasonal products" are launched to ensure customer enthusiasm; creating "Star products" to make the brand more fashionable, such as the shrimp cake with cheese which is launched for the first time in the hot pot industry, became the widely discussed product in the entire hot pot market.

The launching of the new strategy to launch new products is speeding up faster than any time before, the Group smartly deploys, redesigns its system and launched 15 new products in the second half of 2019, attracting the young consumers' enthusiasm, during the time when there was a huge cost price inflation pressure, the Group was able to stabilize the gross margin better than the first half.

In addition, as part of the Group's efforts to provide quality food to its customers while minimizing its procurement costs, the Group acquired an agricultural food processing company in Ximeng in August 2019.

Branding Strategy

Long-term development layout, Xiabu has to upgrade the branding. In the past, feeding simply committed to provide the best products to consumers, the so-called brand communication is more through the consumer's word of mouth accumulated overtime, which is far from enough. When the brand power is not enough, moving in the new city, new areas will need longer time to develop the brand. In the future, the Group will start to roll out faster plan to build a brand when it expands into new areas. By investing more into branding instead of giving out discount. Not only will the Group be using the online broadcast such younger generations like KOL, TikTok, etc, tradition way of branding will also be use smartly. At present, through pre-implantation of the brand during the launch of the new stores, sales will soon stabilize and not be disrupted after discount has been removed. This set a fast and stable situation for Xiabu when entering into the tier three and four cities.

Store expansion

When the Company completed its initial public offering in 2014, the first thing was to upgrade the restaurants. Xiabu was quick to understand the customers' need and enhance service upgrade which brought forth 5 years of growth for Xiabu subsequently. This was why Xiabu can upgrade from the past where most of the restaurants were in the underground or next to supermarket of a mall to open in underground, regular dining floors and even prime locations like Shanghai Center today, fully opens up a lot of room for Xiabu's expansion.

Xiabu will continue to explore retail advantages, aligning with development of products for other day part, in the end will drive business to growth.

As for CouCou, the Group will continue to take advantage of its "internet sensation" nature and growth pace, quickly establish the brand's leading position to set the foundation for the next 2–3 years' development.

For condiment Company, the layout for development channel had been established, in 2020 the Group will continue to use these strong products to expand the business horizon.

As for a few of the delivery and e-commerce platforms, the Group will continue to collaborate store, delivery and online business into this business to make it more vibrant.

Industry Outlook

In 2019, the major economic indicators fluctuated as China's domestic economy continued to face external challenges. There are still many variables in the external environment, with uncertainties and challenges ahead in 2020. Although the first phase of the trade agreement between China and the United States had been signed in January 2020, rising of protectionism and emergence of trade wars pose a major challenge to the global economy. In addition, in December 2019, a novel strain of coronavirus, which was later named "COVID-19" by the World Health Organization, was reported to have surfaced in Wuhan and subsequently spread throughout China. The Chinese central government and local governments in Wuhan and other cities in China have introduced various temporary measures to contain the outbreak, such as extension of the Lunar New Year holiday and travel restrictions, which negatively impacted the national and local economy to varying degrees. The Group has suspended the operation of 941 of its restaurants in mainland China since January 2020 voluntarily in an effort to contain the spread of the epidemic, and the production volume of its food processing facilities has decreased in response to the change in demand. As at the date of this announcement, the Group has reopened 866 of such closed restaurants.

As a result of the foregoing, the short-term growth of China's economy is likely to be negatively affected. Looking at the key index this year, China's economic growth slowed down and recorded a lower growth of GDP in 2019 and this trend will likely to continue in the first half of 2020. The Chinese government started to boost domestic consumption to support economic growth. As such, the Group believes that the growth of consumption will gradually regain its momentum in the second half of 2020.

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 coming years, companies in the catering industry will continue to focus on brand development, maintenance, enhancement, digitization 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 no doubt 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 2018 to 2019:

	Year ended 31 December				Year-on-year change
	2019		2018		
	RMB	*%*	*RMB*	*%*	*%*
	(In thousands, except for percentages and per share data)				
	(unaudited)		(audited)		
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**6,030,167**	**100.0**	4,734,080	100.0	27.4
Other income	**53,558**	**0.9**	44,009	0.9	21.7
Raw materials and consumables used	**(2,225,055)**	**(36.9)**	(1,784,481)	(37.7)	24.7
Staff costs	**(1,544,349)**	**(25.6)**	(1,167,868)	(24.7)	32.2
Property rentals and related expenses	**(253,818)**	**(4.2)**	(579,751)	(12.2)	(56.2)
Utilities expenses	**(212,193)**	**(3.5)**	(170,695)	(3.6)	24.3
Depreciation and amortisation	**(839,386)**	**(13.9)**	(221,117)	(4.7)	279.6
Other expenses	**(405,367)**	**(6.7)**	(288,767)	(6.1)	40.4
Other gains and losses	**(5,519)**	**(0.1)**	44,030	0.9	(112.5)
Finance costs	**(94,845)**	**(1.6)**	—	—	—
Profit before tax	**503,193**	**8.3**	609,440	12.9	(17.4)
Income tax expense	**(212,555)**	**(3.5)**	(147,468)	(3.1)	44.1
Profit for the year	**290,638**	**4.8**	461,972	9.8	(37.1)
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	—
Total comprehensive income for the year	**290,638**	**4.8**	462,041	9.8	(37.1)
Profit (loss) for the year attributable to:					
Owners of the Company	**288,100**	**4.8**	462,478	9.8	(37.7)
Non-controlling interest (loss)	**2,538**	**(0.0)**	(506)	(0.0)	601.6
	290,638	**4.8**	461,972	9.8	(37.1)
Total comprehensive income (expense) attributable to:					
Owners of the Company	**288,100**	**4.8**	462,547	9.8	(37.7)
Non-controlling interest (expense)	**2,538**	**(0.0)**	(506)	(0.0)	601.6
	290,638	**4.8**	462,041	9.8	(37.1)
Earnings per share					
— basic (RMB cents)	**27.02**		43.49		
— diluted (RMB cents)	**26.78**		42.81		

Revenue

The Group's revenue increased by 27.4% from RMB4,734.1 million in 2018 to RMB6,030.2 million in 2019, primarily due to (i) an increase in the number of the Group's Xiabuxiabu restaurants from 886 as of 31 December 2018 to 1,022 as of 31 December 2019 and (ii) an increase in the sales of condiment products from RMB57.7 million in 2018 to RMB89.6 million in 2019. In particular, net revenue generated from Xiabuxiabu restaurants increased by 14.5% from RMB4,079.0 million in 2018 to RMB4,670.9 million in 2019. The Group opened 189 new Xiabuxiabu restaurants throughout China in 2019 to enhance its restaurant network and also opened 54 new Coucou restaurants in 2019.

In 2019, the Group managed to grow its revenue generated from Coucou restaurants by 116.0% from RMB555.6 million in 2018 to RMB1,200.1 million in 2019, which accounted for approximately 19.9% of the total revenue of the Group in 2019, primarily due to its continual effort to expand the Coucou restaurant network. Xiabuxiabu restaurants continued to contribute the largest source of revenue for the Group. The continual expansion of restaurants was one reason that drove revenue to continue to grow in 2019, the fast expansion in the delivery business was another reason that helped deliver the growth. In 2019, in order to expand the delivery business, the Group (i) continued to expand the Group's food ingredient delivery and instant hotpot business "XiaZhuXiaTang" that built up a growing delivery business and increased the Group's competitive advantage against the traditional hotpot delivery model; (ii) rapidly developed the Group's geographical distribution focus, from 63 cities in 2018 to 84 cities in 2019; and (iii) quickly obtained market share through the use of a huge amount of marketing activities. At the end of 2019, sales revenue from the delivery business constituted 5% of the Group's revenue. In 2020, the Group will continue to strategically invest in larger branding and marketing fee, to fully promote the Xiabuxiabu brand and quality, especially targeting millennial customers who look for premium quality, to showcase its quality and highlight the advantages of its quality ingredients such as the classic Ximeng lamb, allowing customers to have the opportunity to taste the high-quality ingredients and tastes from the Group's main-product line. The Group helped customers to understand the upgrade is not purely to decorate its restaurants to become an internet sensation, it is also a full-scale upgrade from environment to the quality of ingredients, product mix, service upgrade to help the Company to win and obtain further goodwill and market share.

Other income

The Group's other income increased by 21.7% from RMB44.0 million in 2018 to RMB53.6 million in 2019, primarily due to government subsidies of approximately RMB11.5 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 24.7% from RMB1,784.5 million in 2018 to RMB2,225.1 million in 2019 as the scale of the Group's operations further increased, which included the number of the restaurants in the Group's network and the Group's system-wide sales and the cost of ingredients kept rising. As a percentage of the Group's revenue, the Group's raw materials and consumables costs decreased from 37.7% in 2018 to 36.9% in 2019, and the Group's gross profit margin increased from 62.3% in 2018 to 63.1% in 2019.

Staff costs

The Group's staff costs increased by 32.2% from RMB1,167.9 million in 2018 to RMB1,544.3 million in 2019, primarily due to an increase in the number of the Group's employees from 26,219 as of 31 December 2018 to 31,373 as of 31 December 2019, 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 24.7% in 2018 to 25.6% in 2019, which was also the result of an increase in per capita wages. In 2019, 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 RMB11.0 million (2018: RMB12.6 million).

Property rentals and related expenses

The Group's property rentals and related expenses decreased by 56.2% from RMB579.8 million in 2018 to RMB253.8 million in 2019, primarily due to the implementation of IFRS 16 effective from 1 January 2019 which led to the Group's property rentals and related expenses decreased from 12.2% in 2018 to 4.2% in 2019 as a percentage of the Group's revenue.

Utilities expenses

The Group's utilities expenses increased by 24.3% from RMB170.7 million in 2018 to RMB212.2 million in 2019 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 3.5% in 2019 as compared with 3.6% in 2018.

Depreciation and amortization

The Group's depreciation and amortization increased by 279.6% from RMB221.1 in 2018 to RMB839.4 million in 2019, primarily as a result of the implementation of IFRS 16 which led to an increase in the depreciation of right-of-use assets and Group's property, plant and equipment as the Group continued to open new restaurants and upgrade its existing restaurants to Xiabuxiabu 2.0. As a percentage of the Group's revenue, depreciation and amortization increased from 4.7% in 2018 to 13.9% in 2019.

Other expenses

The Group's other expenses increased by 40.4% from RMB288.8 million in 2018 to RMB405.4 million in 2019. As a percentage of the Group's revenue, the Group's other expenses increased from 6.1% in 2018 to 6.7% in 2019. The increase in the Group's other expenses in absolute terms and as a percentage of the Group's revenue was primarily due to (i) an increase in advertising and other marketing expenses, (ii) an increase in logistics fee, and (iii) an increase in delivery expenses due to the expansion of Xiabu Fresh.

Other gains and losses

The Group recorded other losses of RMB5.5 million in 2019, as compared to other gains of RMB44.0 million in 2018, consisted primarily of impairment loss on leasehold improvement and right-of-use assets.

Finance costs

The Group recorded finance costs of RMB94.9 million in 2019 due to the interest expense recognized as a result of the implementation of IFRS 16. As the Group did not have external borrowings historically, there was no interest expense this year.

Profit before tax

As a result of the foregoing, the Group's profit before tax decreased by 17.4% from RMB609.4 million in 2018 to RMB503.2 million in 2019, and as a percentage of the Group's revenue, the Group's profit before tax decreased from 12.9% in 2018 to 8.3% in 2019.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB11.0 million (2018: RMB12.6 million), the Group's profit before tax would have decreased by 17.3% from RMB622.0 million in 2018 to RMB514.2 million in 2019, and decreased from 13.1% in 2018 to 8.5% in 2019 as a percentage of the Group's revenue.

Income tax expense

The Group's income tax expenses increased by 44.1% from RMB147.5 million in 2018 to RMB212.6 million in 2019, primarily as a result of (i) the increase in the Group's taxable income and (ii) the accumulative effect of a change in the royalty percentage to be paid from Mainland China to Hong Kong.

Profit for the year

As a result of the cumulative effect of the above factors, the Group's profit for the year attributable to owners of the Company decreased by 37.7% from RMB462.4 million in 2018 to RMB288.1 million in 2019, and as a percentage of the Group's revenue, the Group's profit for the year decreased from 9.8% in 2018 to 4.8% in 2019.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme and as a result of the change in IFRS 16 which led to a decrease in profit in 2019, the Group's profit for the year attributable to owners of the Company would have decreased by 16.6% from RMB475.1 million in 2018 to RMB396.4 million in 2019, and decreased from 10.0% in 2018 to 6.6% in 2019 as a percentage of the Group's revenue. For further details, please refer to the section headed "Non-IFRS Measure — (a) Adjusted net profit" below.

Non-IFRS Measure

Adjusted net profit

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group also uses adjusted net profit as an additional financial measure to evaluate the Group's financial performance without taking into account certain unusual and non-recurring items. Adjusted net profit is calculated by deducting expense related to equity-settled share-based payments from the Group's staff costs and the impact in connection with the implementation of IFRS 16. The table below sets forth the reconciliation of profit for the year to adjusted net profit:

	Year ended 31 December	
	2019	2018
	(In RMB thousands)	
Total profit for the year attributable to owners of the Company	**288,100**	462,478
Equity-settled share-based expenses	**10,980**	12,634
Impact of implementation of IFRS16	**97,270**	—
Adjusted net profit[1]	**396,350**	475,112

(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 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.

Liquidity and capital resources

In 2019, 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 2019, the Group had cash and cash equivalents of RMB785.2 million as compared with RMB1,340.7 million as of 31 December 2018, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi (as to 88.8%), Hong Kong dollars (as to 7.1%), and U.S. dollars (as to 4.1%).

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 2019, the Company utilized approximately 72.52%, or HK$756.6 million of the net proceeds from the Global Offering, (i) HK$666.6 million of which had been utilized to open new and renovate old restaurants; (ii) HK$60.9 million of which had been utilized to purchase the land use rights of two parcels of land in Beijing and Tianjin. These two properties are used for the construction of the second central kitchen of the Group and a logistics center to support the future growth of the Group's operations; and (iii) HK$29.1 million of which had been utilized to provide for working capital and other general corporate purposes. 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 2020 and in the upcoming years, the Group will continue to utilize the net proceeds from the Global Offering 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 fair value through profit or loss ("FVTPL")

As of 31 December 2019, the Group had financial assets at FVTPL amounted to RMB71.3 million in aggregate (31 December 2018: nil), which mainly represented short-term financial product (the "**Financial Product**") issued by Shanghai Pudong Development Bank Co., Ltd. The Financial Product was not principal protected nor with pre-determined or guaranteed return. The Company generally subscribed for similar 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 2019, the Company held one outstanding Financial Product issued by Shanghai Pudong Development Bank Co., Ltd with an aggregate principal amount of RMB70.0 million which matured on 12 January 2020.

The Financial Products which the Company subscribed for during the year ended 31 December 2019 were with a term ranging from 7 days to 181 days and an expected return rate ranging from 2.7% to 6.3% per annum. The gain the Group realized from the Financial Products in 2019 was recorded as gain from changes in fair value of financial assets designated at financial assets at FVTPL and amounted to approximately RMB36.9 million in 2019.

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 were 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 similar 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 2019 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 2019. 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 2019.

The Group purchased additional products with an aggregate principal amount of RMB560.0 million from 1 January 2020 up to the date of this announcement which remained outstanding as at the date of this announcement. None of these subscriptions, individually or collectively when aggregation is required constitute a disclosable transaction under Chapter 14 of the Listing Rules.

Indebtedness

As of 31 December 2019, 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.

As the Group had no interest-bearing bank borrowing as of 31 December 2019, no gearing ratio, which is calculated as interest-bearing borrowings less cash and cash equivalent divided by the total equity, was calculated.

Capital expenditures

The Group made payment for the capital expenditures representing the purchase of property, plant and equipment of RMB727.0 million in 2019 in connection with new restaurant opening and re-decoration and furnishing of existing stores. In 2018, the Group made payment for the capital expenditures of RMB491.6 million. The Group's capital expenditure in 2019 was funded primarily by net proceeds from Global Offering and cash generated from its operations. In 2019, the Group opened a total of 243 new restaurants. As of 31 December 2019, the Group did not have any charge over its assets.

Contingent liabilities and guarantees

As of 31 December 2019, 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 2019, 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 2019, the Group had a total of 31,373 employees. In particular, 138 employees worked at the Group's food processing facilities, 3,025 were responsible for restaurant management, 26,815 were restaurant staff and 1,395 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 2019, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB1,544.3 million, representing approximately 25.6% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 6,162,944 shares (representing approximately 0.57% 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 2019. 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 2019, the RSU Trustee purchased an aggregate of 860,000 shares at a total cash consideration of approximately HK$7.6 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 2019, RSUs in respect of an aggregate of 4,707,138 shares (representing approximately 0.44% 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 2019 annual report to be issued in due course.

Final Dividend

The Board recommends the payment of a final dividend of RMB0.046 per share, amounting to approximately a total of RMB49.6 million for the year ended 31 December 2019 (the "**2019 Final Dividend**"), representing approximately 40% of the Group's net profit for the six months ended 31 December 2019. The 2019 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 unaudited consolidated annual results of the Group for the year ended 31 December 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		For the year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
Revenue	*3*	**6,030,167**	4,734,080
Other income		**53,558**	44,009
Raw materials and consumables used		**(2,225,055)**	(1,784,481)
Staff costs		**(1,544,349)**	(1,167,868)
Property rentals and related expenses		**(253,818)**	(579,751)
Utilities expenses		**(212,193)**	(170,695)
Depreciation and amortisation		**(839,386)**	(221,117)
Other expenses		**(405,367)**	(288,767)
Other gains and losses	*4*	**(5,519)**	44,030
Finance costs	*5*	**(94,845)**	—
Profit before tax	*6*	**503,193**	609,440
Income tax expense	*7*	**(212,555)**	(147,468)

	Notes	For the year ended 31 December **2019** **_RMB'000_** **(unaudited)**	2018 _RMB'000_ (audited)
Profit for the year		**290,638**	461,972
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
Total comprehensive income for the year		**290,638**	462,041
Profit (loss) for the year attributable to:			
Owners of the Company		**288,100**	462,478
Non-controlling interest (loss)		**2,538**	(506)
		290,638	461,972
Total comprehensive income (expense) attributable to:			
Owners of the Company		**288,100**	462,547
Non-controlling interest (expense)		**2,538**	(506)
		290,638	462,041
Earnings per share			
— basic (RMB cents)	_8_	**27.02**	43.49
— diluted (RMB cents)	_8_	**26.78**	42.81

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	As at 31 December 2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**1,313,377**	911,088
Right-of-use assets	*10*	**2,076,016**	—
Intangible assets		**3,482**	1,723
Lease prepayments for land use right		**—**	47,218
Deferred tax assets		**79,192**	134,110
Rental deposits		**147,183**	120,353
		3,619,250	1,214,492
Current assets			
Inventories		**711,773**	390,381
Loan receivable	*11*	**60,000**	—
Trade and other receivables and prepayments	*12*	**378,375**	307,751
Financial assets at fair value through profit or loss ("**FVTPL**")	*13*	**71,296**	—
Bank balances and cash		**785,192**	1,340,692
		2,006,636	2,038,824
Current liabilities			
Trade payables	*14*	**350,075**	295,870
Accrual and other payables		**655,510**	551,281
Lease liabilities	*15*	**464,490**	—
Income tax payables		**96,066**	101,760
Contract liability		**146,017**	43,651
Deferred income		**1,595**	1,595
		1,713,753	994,157
Net current assets		**292,883**	1,044,667
Total assets less current liabilities		**3,912,133**	2,259,159

	Notes	As at 31 December 2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Non-current liability			
Deferred income		**10,097**	11,692
Lease liabilities	*15*	**1,513,972**	—
Financial liability at FVTPL		**1,224**	—
		1,525,293	11,692
Net assets		**2,386,840**	2,247,467
Capital and reserves			
Share capital	*16*	**174**	174
Share premium and reserves		**2,375,271**	2,241,265
Equity attributable to owners of the Company		**2,375,445**	2,241,439
Non-controlling interest		**11,395**	6,028
Total equity		**2,386,840**	2,247,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 January 2019.

As at January 1, 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of restaurants in the People's Republic of China was determined on a portfolio basis; and

v used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3.6% to 5.64%.

	At 1 January 2019
	RMB'000
	(unaudited)
Operating lease commitments disclosed as at 31 December 2018	2,790,211
Less: Value-added tax	130,355
Operating lease commitments without value-added tax	2,659,856
Lease liabilities discounted at relevant incremental borrowing rates	2,275,293
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	26,180
Change in allocation basis between lease and non-lease components	401,317
Lease liabilities relating to operating leases recognized upon application of IFRS 16	1,847,796
Lease liabilities as at 1 January 2019	1,847,796
Analysed as	
Current	387,712
Non-current	1,460,084
	1,847,796

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of use assets
		RMB'000
		(unaudited)
Right-of-use assets relating to operating leases recognized upon application of IFRS 16		1,847,796
Reclassified from prepaid lease payments	*(a)*	101,418
Adjustments on rental deposits at 1 January 2019	*(b)*	18,783
Less: Accrued lease liabilities relating to rent free period at 1 January 2019	*(c)*	1,474
		1,966,523

(a) Upfront payments for leasehold lands, restaurants and rented premises in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB54,200,000 and RMB47,218,000 respectively were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under other receivables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB18,783,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(c) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables as at 1 January 2019 was adjusted to right-of-use assets at transition.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018** (audited)	**Adjustments** (unaudited)	**Carrying amounts under IFRS 16 at 1 January 2019** (unaudited)
Non-current Assets				
Lease prepayments for land use right		47,218	(47,218)	—
Right-of-use assets	*10*	—	1,966,523	1,966,523
Rental deposits		120,353	(18,783)	101,570
Current Assets				
Trade and other receivables and prepayments	*12*	307,751	(54,200)	253,551
Current Liabilities				
Accrual and other payables		551,281	(1,474)	549,807
Lease liabilities	*15*	—	387,712	387,712
Non-current liabilities				
Lease liabilities	*15*	—	1,460,084	1,460,084

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2.2 *Impacts and changes in accounting policies of application of other new and amendments to IFRSs*

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognized at the date of initial application, 1 January 2019, without restating comparatives.

The uncertain tax position in respective of royalty payments to Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. ("**Xiabu Hong Kong**", the Company's subsidiary) according to the trademark license agreement between Xiabu Hong Kong and the PRC subsidiaries of the Company is estimated based on the expected value. At the end of each of the reporting period, the Directors consider the effect of changes in facts and circumstances or new information in the context of applicable tax laws relevant to the above-mentioned uncertain tax treatment and reflect the effect of uncertainty for such uncertain tax treatment at the best estimate. The Directors considered that the application of IFRIC 23 had no material impact on the consolidated financial statements upon initial application.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Restaurant operations	**5,866,650**	4,623,340
Sales of the condiment products	**89,647**	57,693
Sales of other goods	**73,870**	53,047
	6,030,167	4,734,080

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.

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Mainland China	**6,018,495**	4,734,080
Hong Kong	**11,672**	—
	6,030,167	4,734,080

The transaction allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognizing revenue are as follow:

	Customer loyalty scheme *RMB'000* **(unaudited)**	**Prepaid cards** *RMB'000* **(unaudited)**	**Advance from customer** *RMB'000* **(unaudited)**
Within one year	**13,123**	**128,278**	**1,465**
More than one year but not more than two years	**3,151**	**—**	**—**
Total	**16,274**	**128,278**	**1,465**

The transaction allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognizing revenue are as follow:

	Customer loyalty scheme *RMB'000* (audited)	Prepaid cards *RMB'000* (audited)	Advance from customer *RMB'000* (audited)
Within one year	12,869	26,251	2,204
More than one year but not more than two years	2,327	—	—
Total	15,196	26,251	2,204

The customer loyalty points have a twelve months to twenty-nine months' valid period after the grant of award credits based on different types of loyalty programmes and can be redeemed anytime within the valid period at customers' discretion. The amounts disclosed above represent the Group's expectation on the timing of redemption made by customers.

The Group issued the prepaid cards which have no expiration and can be utilized in the future consumption in restaurants at customers' discretion. The amounts disclosed above represent the Group's expectation on the timing of utilization made by customers.

4. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Loss on disposal of property, plant and equipment, net	**(428)**	(656)
Loss on disposal of intangible assets, net	**—**	(237)
Gain on derecognition of right-of-use assets	**4,934**	—
Foreign exchange gain (loss), net	**(21)**	8,789
Loss on closure of restaurants	**(654)**	(403)
Impairment loss reversal on rental deposits	**—**	1,596
Impairment loss recognized in respect of leasehold improvement	**(27,596)**	(7,448)
Impairment loss recognized in respect of right-of-use assets	**(16,763)**	—
Gain from changes in fair value of financial assets at FVTPL	**36,906**	42,458
Loss from changes in fair value of financial liability at FVTPL	**(1,897)**	—
Loss on disposal of debt instrument at FVTOCI	**—**	(69)
	(5,519)	44,030

5. FINANCE COSTS

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Interest on lease liabilities	**94,845**	—

6. PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Depreciation of right-of-use assets	**514,821**	—
Depreciation of property, plant and equipment	**321,844**	218,591
Amortisation of intangible assets	**2,721**	1,206
Release of lease prepayments for land use right	**—**	1,320
Total depreciation and amortisation	**839,386**	221,117
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**—**	21,120
— restaurants		
— fixed lease payment	**—**	475,993
— short-term lease *(Note i)*	**30,240**	—
— variable lease payment *(Note ii)*	**102,400**	82,638
— other rental expense *(Note iii)*	**121,178**	—
	253,818	558,631
Total property rentals and related expenses	**253,818**	579,751
Directors' emoluments	**9,647**	10,816
Other staff cost		
Salaries and other allowance	**1,438,774**	1,073,755
Equity-settled share-based payments	**4,413**	5,790
Retirement benefit contribution	**91,515**	77,507
Total staff costs	**1,544,349**	1,167,868
Auditor's remuneration	**3,300**	2,850

Note i: The short-term lease refer to lease of restaurants and rented premises, the amount are RMB9,156,000 and RMB21,084,000 respectively.

Note ii: The variable lease payment refers to the portion of property rentals based on pre-determined percentages to revenue less minimum rentals of the respective leases.

Note iii: The other rental expense refers to the property fee related to operating lease rentals.

7. INCOME TAX EXPENSE

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Enterprise income tax ("**EIT**")		
Current tax	**157,637**	151,652
Deferred tax	**54,918**	(4,184)
Total income tax recognized in profit or loss	**212,555**	147,468

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., incorporated in Hong Kong is qualifying for the two-tiered profits tax rates regime. Accordingly, the Hong Kong profits tax of the qualifying group entity 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 (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	**288,100**	462,478

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	
	2019	2018
	'000	*'000*
	(unaudited)	(audited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,066,334**	1,063,420
Effect of dilutive potential ordinary shares	**9,473**	16,793
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,075,807**	1,080,213

9. DIVIDENDS

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Dividends recognized as distributions during the year	**166,864**	176,528

On 28 March 2019, the Company declared a dividend of RMB0.096 per share with total dividends of RMB101,248,000 to shareholders for the year ended 31 December 2018. The dividend was paid in June 2019.

On 29 August 2019, the Company declared a dividend of RMB0.062 per share with total dividends of RMB65,616,000 to shareholders for the six months ended 30 June 2019. The dividend was paid in October 2019.

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.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2019 of RMB0.046 per share, amounting to approximately RMB49,624,000 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 29 May 2020. The 2019 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 8 June 2020. The dividend has not been included as a liability in these consolidated financial statements.

10. RIGHT-OF-USE ASSETS

	Leased lands *RMB'000*	Leasehold properties *RMB'000*	Total *RMB'000*
As at 1 January 2019 (Unaudited)			
Carrying amount	48,295	1,918,228	1,966,523
As at 31 December 2019 (Unaudited)			
Carrying amount	114,710	1,961,306	2,076,016
For the year ended 31 December 2019 (Unaudited)			
Depreciation charge	1,523	513,298	514,821
Impairment recognized in profit or loss *(Notes i)*	—	16,763	16,763
	1,523	530,061	531,584
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 (Unaudited)			30,240
Variable lease payments not included in the measurement of lease liabilities (Unaudited)			102,400
Total cash outflow for leases *(Notes ii)* (Unaudited)			732,962
Additions to right-of-use assets *(Notes iii)* (Unaudited)			827,153

Notes i:

After the assessment, the recoverable amount of the right-of-use asset was RMB2,076,016,000, and an impairment of RMB16,763,000 was recognized during the year 2019.

Notes ii:

Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases and payments of lease payments on or before lease commencement date (including leasehold land and rental deposits). These amounts could be presented in operating, investing or financing cash flows.

Notes iii:

Amount includes right-of-use assets resulting from lease and rental deposits addition, lease modification, reassessment/exercise of extension and payments for leasehold land for the year ended 31 December 2019.

For both years, the Group leases restaurants land and rented premises for its operations. Lease contracts are entered into for fixed terms of 1 months to 20 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group entered into short-term leases mainly for rented premises. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 6.

11. LOAN RECEIVABLE

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate loan receivable	**60,000**	—
Analysed as		
Current	**60,000**	—

On 21 May 2019, the Group entered into a loan contract with a supplier, pursuant to which the Group provided a loan to the supplier, with a principal amount of RMB60,000,000 and a fixed interest rate of 10% per annum. The loan is unguaranteed, and will expire on 20 May 2020, and was classified as current asset.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**36,169**	38,657
Prepaid operating expenses	**43,698**	76,634
Prepayments to suppliers	**36,109**	6,030
Current portion of lease prepayments for land use right	**—**	1,077
Interest receivable	**2,159**	53
Amounts prepaid to the RSU trustee for purchase of ordinary shares	**14,065**	1,053
Prepayments for value-added tax	**227,666**	164,918
Other receivables	**18,509**	19,329
Total trade and other receivables and prepayments	**378,375**	307,751

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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**36,169**	38,657

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset mandatorily measured at FVTPL:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Short-term investment	**71,296**	—

As at 31 December 2019, the Group's financial asset at FVTPL amounting to RMB71,296,000 is the financial products issued by banks, which is short-term investments with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including treasury bonds, central bank bills, structured deposit and other financial assets.

14. 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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 60 days	**342,649**	290,088
61 to 180 days	**1,110**	1,709
181 days to 1 year	**2,970**	302
Over 1 year	**3,346**	3,771
	350,075	295,870

15. LEASE LIABILITIES

Lease liabilities payable:

	As at 31 December 2019
	RMB'000
	(Unaudited)
Within one year	464,490
Within a period of more than one year but not more than two years	423,869
Within a period of more than two years but not more than five years	820,749
Within a period of more than five years	269,354
	1,978,462
Less: Amount due for settlement with 12 months shown under current liabilities	(464,490)
Amount due for settlement after 12 months shown under non-current liabilities	1,513,972

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HK Dollars
	RMB'000
	(Unaudited)
As at 31 December 2019	50,693

16. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December	
	2019	2018
	USD'000	*USD'000*
	(unaudited)	(audited)
Share capital of US$0.000025 each	**27**	27
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Presented as:		
Ordinary shares	**174**	174

	As at 31 December	
	2019	2018
	'000	*'000*
	(unaudited)	(audited)
Number of shares:		
Fully paid ordinary shares	**1,080,688**	1,076,393

Ordinary shares

	Authorized shares		**Issued capital**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*
Balance at 31 December 2017 (audited)	2,000,000	336	1,072,459	173
Exercise of issued share option	—	—	3,934	1
Balance at 31 December 2018 (audited)	2,000,000	336	1,076,393	174
Exercise of issued share option	—	—	4,295	—
Balance at 31 December 2019 (unaudited)	2,000,000	336	1,080,688	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 2019.

For details of the shares purchased by the RSU Trustee for the purpose of the RSU Scheme during the year ended 31 December 2019, 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 2019 Final Dividend of RMB0.046 per share for the year ended 31 December 2019 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 29 May 2020. The 2019 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 8 June 2020.

The register of members of the Company will be closed from 26 May 2020 to 29 May 2020 (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 29 May 2020, 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 25 May 2020.

Subject to the approval of the declaration of the 2019 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from 4 June 2020 to 8 June 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the 2019 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 3 June 2020. The 2019 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on or about 18 June 2020 to those shareholders whose names appear on the register of members of the Company on 8 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2019, 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 2019.

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 unaudited annual results of the Group for the year ended 31 December 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 in China has grown into a global epidemic during the first quarter of 2020, creating a challenging situation across industries. The Group has assessed the overall impact of the COVID-19 outbreak on the entirety of its operations and has taken measures to limit the adverse effects of the rapidly spreading virus on its personnel and business operations. The Group is constantly monitoring the situation in order to respond appropriately as conditions evolve. The outbreak of COVID-19 is expected to have a negative impact on the global economic environment, as well as the Group's revenue and profit in 2020. The Group has suspended the operation of 941 of its restaurants in mainland China since January 2020 voluntarily in an effort to contain the spread of the epidemic, and the production volume of its food processing facilities has decreased in response to the change in demand. As at the date of this announcement, the Group has reopened 866 of such closed restaurants.

The Group plans and has started to implement a series of mitigation measures, such as obtaining credits from banks, negotiating lower rents for its restaurants, minimizing controllable costs and expanding delivery services. However, the Directors believe that the results of these measures may not be evident in the short term and the financial effects of the epidemic cannot be reasonably estimated as at the date of this announcement given the inherent uncertainty involved in the circumstances.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the transportation controls implemented and the restrictions in resuming work as a result of the outbreak of COVID-19, the auditing process, including but not limited to confirmation arrangements and inspection of documents, has experienced a significant delay. As such, the auditing process for the annual results for the year ended 31 December 2019 has not been completed as at the date of this announcement. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company expects the auditing process will be completed on or before 7 April 2020.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

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

This unaudited 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 2019 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, 30 March 2020

As at the date of this announcement, the Board comprises Mr. HO Kuang-Chi and Ms. ZHAO Yi 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.