ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 520

ABOUT THIS REPORT

REPORTING PERIOD

This report covers the period from 1 January 2019 to 31 December 2019, with some information and figures tracing back to earlier years beyond the stated reporting period.

PUBLICATION CYCLE

This report is an annual report published annually.

ORGANIZATIONAL SCOPE

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

COMPILATION GUIDELINES

This report has been prepared with reference to the *Environmental, Social and Governance Reporting Guide* (the "ESG Guide") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), as well as the *GRI Sustainability Reporting Standards* issued by the Global Sustainability Standards Board (GSSB).

ESG REPORTING PRINCIPLES

Materiality: In compliance with the materiality principle of the Stock Exchange, this report makes disclosure on the ESG-related issues considered by the Board and the ESG Working Group, stakeholder communication, identification process of materiality issues and the matrix of materiality issues, details of which are set out in the respective section below.

Quantitative: Statistical standards, methods, assumptions and/or calculation tools for quantitative key performance indicators herein and source of conversion factors are all explained in the definitions of the report.

Balance: This report shall provide an unbiased picture of the Group's performance during the reporting period and shall avoid selections, omissions or presentation formats that may inappropriately influence the readers' decisions or judgment.

Consistency: The statistical methodologies applied to the data disclosed in this report shall be consistent.

DATA SOURCE

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

REFERENCE

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

ACCESS TO THE REPORT

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

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

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CHAIRMAN'S MESSAGE

MR. HO KUANG-CHI

Chairman of the Board



CHAIRMAN'S MESSAGE

In 2019, the catering industry in China continued to expand, with brand companies leading the development trend of the industry. Amidst a market environment where opportunities and challenges coexisted, Xiabuxiabu maintained stable development momentum. Upholding the motto that "High quality derives from persistent efforts and persistently providing quality food for customers", Xiabuxiabu endeavours to provide super services to its customers by creating an elegant and comfortable dining environment, offering excellent dining experience and a diversified menu of delicious and nutritious food. In 2019, we continued to open new Xiabuxiabu restaurants and Coucou restaurants, achieving the goal of "having one thousand Xiabuxiabu restaurants by 2019" which was set in 2016.

As at the end of 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 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. In 2019, the Group opened 189 Xiabuxiabu restaurants and 54 Coucou restaurants. In particular, we extended our Coucou restaurant network beyond Mainland China by opening our first Coucou restaurant in Hong Kong. In 2019, Xiabuxiabu recorded a revenue of RMB6,030.2 million, representing an increase of 27.4% as compared to 2018.

While pursuing development of our core businesses, we proactively fulfill our corporate social responsibility, making continuous efforts to ensure food safety, strengthen product innovation, promote green development, facilitate employee development and participate in social public welfare, so as to ensure company and economy development in line with social value.





CHAIRMAN'S MESSAGE

We place emphasis on food quality to ensure food safety. As a company promoting nutritious food, Xiabuxiabu is committed to providing customers with safe, healthy, fresh and nutritious food with good quality. We implement stringent supplier selection and strengthen supplier management, optimise food quality inspection process, and adhere to the direct distribution approach, so as to provide customers with selected premium ingredients, ensuring food safety and high quality.

We push forward innovations to improve products and services. Innovation is the driving force for our future success. We proactively promote innovation in our daily operation by carrying out global procurement to enrich our food offering, creating a diversified menu to cater to personalised dining needs, and engaging in multiple operation modes through optimisation and upgrading of Xiabu Fresh and Xiazhuxiatang, so as to create new value for the customers.

We implement environmental protection concept by promoting green development. Xiabuxiabu proactively promotes green and low-carbon operation by strengthening management of energy conservation and environmental protection. We carry out technology improvement to reduce energy consumption, promote the application of energy-saving equipment, continue to implement green construction, implement strict waste sort-out and advocate green lifestyle concept to the public, in a joint effort to build our green home for sustainability development.

We care for our employees and uphold the people-oriented principle. Upholding the people-oriented principle, Xiabuxiabu is committed to building a diversified and quality workforce featuring unity, harmony, pragmatism and progressiveness. We adhere to the principle of equal and compliant employment, and make every effort to protect the legitimate rights and interests of the employees. We place emphasis on the physical and mental wellbeing of the employees by strengthening safety management of food for staff and operation premises. We also improve staff training and appraisal system, and promote employee development by providing continuous training in diverse modes and differentiated trainings for various employees. In addition, we organise cultural and sports activities for the employees and send greetings to the staff at festivals, so as to strengthen communication among team members and achieve mutual development of the Company and the employees.

We devote ourselves to public welfare activities to achieve social value. Remaining true to its original aspiration, Xiabuxiabu is committed to making contributions to the society by providing financial support for students and proactively participating in charity activities such as public welfare activities relating to environmental protection. During the reporting period, we delivered love and care and our best blessings to the children of three preschools at Huangcun Town, Daxing District. We also participated in the harvest and visit activities of the "Donation of Wolfberry Trees" poverty-alleviation project initiated by China Green Foundation, which is designed to explore an innovative public welfare mode by integrating ecological protection with poverty alleviation development program.

During 2019, upholding the business philosophy of innovative creativity, Xiabuxiabu proactively promoted innovations and made improvements, with an aim to provide customers with superior hotpot cuisine and quality services. Xiabuxiabu will stay committed to its corporate mission and fulfill its corporate social responsibility, so as to achieve its social value while promoting business development.





ESG MANAGEMENT

Xiabuxiabu continues to promote its ESG management by increasing the ESG management works in respect of its corporate governance and constantly improving the ESG management mechanism. We take measures to get an understanding of internal appeals which is used as important basis for materiality issues analysis, and place additional emphasis on the management and control of such issues, thus reducing our operating risks. In addition, we maintain close communication with our stakeholders and take measures to improve our ESG strategy and performance. We advocate the concept of sustainable development and actively respond to the expectations of various stakeholders, so as to bring more sustainable values to investors and promote sustainable development of the Company and the society.

Case: Participation in ESG trainings and seminars by our directors

Our directors proactively followed up the ESG-related developments announced by the Stock Exchange and conducted prompt study and analysis on the ESG-related policies and development issued by the Stock Exchange. In November 2019, Xiabuxiabu engaged a third party professional consultation agency to provide training for the members of the Board of Directors covering the consultation paper on the ESG Reporting Guide issued by the Stock Exchange in May 2019, emphasis on the ESG issues by the capital market, best ESG practice for companies and other issues, so as to prepare them for involvement in the ESG management and promote sustainable development of the Company.

ESG Management Mechanism

Xiabuxiabu has established an interlinked ESG management mechanism to ensure that our ESG efforts are carried out in an orderly manner. Our Board of Directors is responsible for the development of ESG strategy and reporting thereon, and is also responsible for reviewing and making decisions on the material ESG-related issues of the Company. Our ESG working group, which consists of various departments involved in employees, food safety, public welfare and other ESG issues, takes the responsibility of reporting ESG matters to the Board of Directors.

The public affairs department of our head office which acts as the leading department of the ESG working group is responsible for the coordination and arrangement of the ESG work, while other departments of the head office are responsible for the implementation of specific tasks as well as maintaining and reporting the annual ESG information regarding the issues handled by the respective departments, coordinating the task implementation and information reporting by each operating entity, and assigning a part-time contact person for the ESG work in each department who is responsible for the coordination and management of the issues handled by the department that he works for. The relevant departments of local operating entities carry out the implementation of specific tasks in accordance with the requirements of the head office and report the ESG information on a regular basis.





ESG MANAGEMENT

Stakeholder Communication

Xiabuxiabu maintains its communication with stakeholders, establishes diverse communication channels, continuously listens to the expectations and demands of stakeholders, and responds to their opinions in a timely manner. While operating in accordance with laws and regulations, we also fulfil our society responsibility and create value for the stakeholders.

From the perspective of sustainable development, the Company organizes and develops a communication table on stakeholders to provide a basis for the identification of its materiality issues.

| Stakeholders | Communication mode | Expectations and aspirations | Our response |
|---|---|---|--|
| Government and regulatory authorities | Daily communicationSubmission of informationWorkshop and survey | Compliance operation Stringent internal control and risk management | Enhancing compliance operation Fulfilling tax obligations Strengthening risk management |
| Investors | Regular information disclosure General meetings Daily communication Official website | Satisfactory operating results Sustained and steady growth Operation with integrity and transparency | Constantly improving our ability to create value Steady and sound operation Promoting transparent and open information disclosure Enhancing investor management |
| Consumers | Complaint hotline Weibo and WeChat Customer satisfaction survey Customer service email account | Food safety Efficient and quality service Nutritious, healthy and diversified product mix Sub-brand building | Implementing strict control over food procurement Adopting direct distribution approach Elaborately preparing ingredients Making innovation on product offerings Optimising dining environment Safeguarding consumers' rights and interests |



ESG MANAGEMENT

| Stakeholders | Communication mode | Expectations and aspirations | Our response |
|---------------------------------|--|---|---|
| Environment | Advocating the concept of environmental protection Adhering to the strategy of sustainable development Disclosure of environmental information | Supporting energy conservation and emission reduction, and promoting low-carbon lifestyle Emission of greenhouse gas (GHG) Disposal of kitchen wastes Energy consumption Resource conservation Sticking to the strategy of green development | Building green restaurants Strictly managing treatment of kitchen wastes Advocating the concept of green office |
| Employees | Labour contract Training exchange Performance management mechanism Online communication platforms for our employees | Protecting the legitimate rights and interests of the employees Remuneration and benefits Providing fair and equal employment opportunities Providing diversified development and promotion opportunities | Implementing fair recruitment practice Providing diversified training and study programs Providing smooth career development path Organising staff activities to promote a healthy work-life balance |
| Suppliers and business partners | Supplier assessment Cooperation agreements Regular visits | Fair procurement policy and fulfillment of promises Ensuring food quality and safety Local procurement | Improving procurement policy Enhancing procurement management Implementing "farm-to- table" project Implementing fair and open procurement |
| Community | Community activitiesCommunity services | Promoting safety compliance operation Organising activities for community charity to promote community harmony | Enhancing restaurant safety management Organising public welfare activities |

Materiality Issues Analysis

With reference to the ESG Guide and the international standards, we carried out assessment and analysis on the ESG-related issues through questionnaire survey, interview, communication and other means led by the ESG Working Group based on their respective importance to the stakeholders and the Company, and sorted out and prepared the below ESG materiality matrix. Details on the management of the material ESG issues identified will be disclosed in this report.



ESG MANAGEMENT

During the reporting period, the Group, on one hand, sorted out the concerns over the Company by the stakeholders of various department during the daily operation, and on the other hand, handed out questionnaires to the stakeholders such as the government and regulatory authorities, investors/shareholders, the Board, employees, consumers, suppliers, partners, peer companies, the public, non-governmental organisations, the media and experts, and received 127 completed questionnaires. The survey results from communication with external stakeholders served as the basis for the preparation of ESG-related issues focused by the stakeholders, while the survey results from communication with the management such as the Board and the senior management of the Company served as the basis for the determination of issues that are important to the Company. We developed the ESG materiality matrix of the Group through assessment, identification and sort-out of these issues and made detailed disclosure in respect of such issues.



Picture: ESG materiality matrix of Xiabuxiabu



THEME: LAUNCHING A NEW ROUND OF FOOD REVOLUTION BY CONNECTING XILINGOL FARM TO DINING TABLE

Driven by consumption upgrading, the catering industry in China grew rapidly. According to the data from the Blue Book of Catering Industry — Annual Report on Catering Industry Development of China (2019), the catering industry in China recorded a revenue of over RMB4 trillion in 2018, with outstanding performance in various segments. In particular, the hotpot industry continued to maintain high-speed growth, with continuous optimisation of consumption structure and strong demand for high-quality products. In response to such development trend, Xiabuxiabu launched the "Xiabu X Lamb of XilinGol" promotion program in 2019, so as to ensure premium food quality and build the supply chain with XilinGol League for XilinGol lamb. While introducing a new round of food revolution, we aimed to fulfill our corporate social responsibility by driving local economic development and promoting sustainable living.



DRIVING LOCAL ECONOMIC DEVELOPMENT

XilinGol League is boasted of quality livestock products such as beef, lamb and dairy products, over 100 medicinal plants, oil-rich plants and other pollution-free natural resources, as well as cultural and tourism resources such as the Site of Xanadu, Nadamu scenic area and Horse Fair. Due to lack of sales channels and promotion exposure, the brand value of the agriculture and livestock industry and tourism industry of XilinGol League has huge potential for growth. In view of this, Xiabuxiabu joined hands with the local government to proactively explore the innovative green development mode by integrating "Xiabu quality" with ecological protection and poverty alleviation development, putting in action to fulfill its corporate social responsibility. Leveraging on our advantages in sales channels, cold-chain logistics and other areas, coupled with the distinctive and rich resources of agriculture and livestock products in XilinGol League, we made great effort to build the "Xiabu X Lamb of XilinGol" brand, and also promoted the development of the distinctive agriculture and livestock industry of XilinGol League.



THEME: LAUNCHING A NEW ROUND OF FOOD REVOLUTION BY CONNECTING XILINGOL FARM TO DINING TABLE

With the rollout of the "Xiabu X Lamb of XilinGol" promotion program, and leveraging on the potential new retail resources and distinctive advantages of its one thousand operating restaurants, Xiabuxiabu will be better positioned to promote sales of XilinGol lamb through various channels, and hence facilitate the in-depth integration and development of the local primary, secondary and tertiary industries.



Picture: Farm site under the "Xiabuxiabu X Lamb of XilinGol" project



Picture: Xiabuxiabu farm in XilinGol League

PROMOTING VERTICAL INTEGRATION

• Consolidating and extending the industrial chain

In recent years, Xiabuxiabu made continuous efforts to promote product optimisation and upgrade, and implemented strict control over every aspect covering global procurement, ingredient quality, production and processing process and quality control management, so as to achieve quality control over the entire value chain covering from production to consumption, successfully establishing the "Xiabu quality" standard to lead the industry upgrading. Meanwhile, by leveraging on its own advantages, and in order to consolidate and extend the resources of the industrial chain, the Company established a lamb processing plant in XilinGol League. In addition to providing consumers with dishes made from XilinGol lamb, we also launched cold-chain products, namely lamb gift-packed series products, bringing the fresh and delicious food from XilinGol League to consumers across the country.



Picture: Xiabuxiabu x cold-chain XilinGol lamb products — three types of lamb gift-packed products



THEME: LAUNCHING A NEW ROUND OF FOOD REVOLUTION BY CONNECTING XILINGOL FARM TO DINING TABLE

Securing stable supply of food ingredients

In order to satisfy consumer needs, Xiabuxiabu has come up with the brand proposition of "choose your own pot with food from global source", and sources food ingredients from various places all over the world including Uruguay, Brazil, Argentina, Ecuador, Australia and New Zealand, extending upstream procurement channel to achieve global procurement. As an important part of this strategy, Xiabuxiabu launched new menu offerings this fall with new ground-breaking products including hand-cut XilinGol lamb and hand-cut XilinGol lamb brain and internal organs, expanding stable food supply.



Picture: Global procurement map of Xiabuxiabu

INTRODUCING "A REVOLUTION ON FOOD QUALITY"

Leveraging on its scale advantage, brand influence and constantly improving supply chain system, Xiabuxiabu secured stable and quality upstream resources from XilinGol Plain. By cooperating with local partners at the source, we obtained sustainable and stable supply of XilinGol lamb. The Company has established its exclusive farm in XilinGol League, and at the same time has built two production bases with a total annual slaughtering capacity of 1 million lambs. Meanwhile, we have built a large-scale cold storage warehouse with a storage capacity of over 10 thousand tonnes, so as to ensure product quality and safety in respect of storage and supply chain.



Picture: XilinGol lamb dishes provided by Xiabuxiabu



THEME: LAUNCHING A NEW ROUND OF FOOD REVOLUTION BY CONNECTING XILINGOL FARM TO DINING TABLE

Adhering to the concept of "farm to dining table" and through ongoing supervision, Xiabuxiabu implements strict traceability system covering the entire production process of lame from birth, raising, slaughtering, processing, packaging and transportation. To this end, Xiabuxiabu has established its lamb processing plant at XilinGol League, and implemented strict control over every aspect of the entire lamb production and processing procedure by establishing standards for production, processing process and product quality, with 48 production procedures from slaughtering to storage. We have adopted the -35 $^{\circ}$ instant freshness preservation technology to preserve the freshness and meat quality. In addition, the Company has established the ingredient inspection standards such as the requirement of maintaining a central temperature of -18 $^{\circ}$ or below for outgoing products, so as to ensure supply of food with premium quality.



Picture: Lamb processing plant of Xiabuxiabu at XilinGol League



ABOUT US





ABOUT US

1.1 COMPANY PROFILE

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

In order to adapt to changes in the market and consumer needs, Xiabuxiabu launched a mid-to-high end brand "Coucou" in Sanlitun, Beijing on 30 June 2016, introducing the perfect fusion of Taiwanese-style spicy hotpot and Taiwanese-style hand-shaken tea,

which was warmly received by the public consumers immediately. In the meanwhile, Xiabuxiabu established its food companies to sell Xiabuxiabu product series including seasoning sauces, soup bases and dipping sauces mainly via channels such as e-commerce platforms and supermarkets, so as to satisfy the condiment need of consumers. In August 2019, Xiabuxiabu fully acquired XilinGol League Yishun Halal meat Co., Ltd., which helped to open its upstream supply chain layout, ensuring the stable supply of core ingredients for the rapid development of the Group.

As at the end of 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 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. In 2019, the Group opened 189 Xiabuxiabu restaurants and 54 Coucou restaurants. In particular, we extended our Coucou restaurant network beyond Mainland China by opening our first Coucou restaurant in Hong Kong.

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

needs, we constantly introduce new high-quality products.

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





ABOUT US

1.2 HONOURS AND AWARDS

Through our relentless efforts and commitment to quality for the past twenty years, Xiabuxiabu has earned recognition by the public consumers and won high praises from the industry.

Xiabuxiabu has been recognised as one of the "Top 100 Restaurant Brands in China" for ten consecutive years, and has been awarded a number of titles such as "Top 10 Business Brands in Beijing", "Top 10 Restaurant Brands in Beijing" and "Top 50 Catering Enterprise (Group) in Beijing" since 2011. In addition, Xiabuxiabu was also granted a number of honours such as "Venture Development Outstanding Contribution Enterprise of China's Catering Industry of the 40th Anniversary of the Reform and Opening-up", "China Hotpot Industry Red Top Award", "Top 50 Chinese Fast-food Brands" and "Top 50 Most Valuable Enterprises in China". The product series including Xiabuxiabu hotpot and Xiabuxiabu condiment products were awarded the titles of "Beijing Specialty Hotpot" and was included into the first list of "Beijing Specialty Cuisine".









| Awards | Issuing bodies |
|---|---|
| 2019 Top 10 Hotpot Brands in China | World Association of Chinese Cuisine |
| 2019 Top 50 Catering Enterprise (Group) in Beijing | Beijing Cuisine Association |
| 2019 Top 50 Outstanding Hotpot Restaurant Chains in China | China Cuisine Association |
| Xiabuxiabu Top 10 Brands of Catering Industry in 2019 — Gold Medal | China Cuisine Association |
| 2019 CCFA Restaurant Chains Innovation Award | China Chain Store & Franchise Association |
| 2019 Top 10 Brands for Product Innovation | China Cuisine Association |
| 2018 Top 100 Restaurant Brands in China | China Cuisine Association |
| Certificate of Appreciation for Group Standards under the Guide for Food | China Cuisine Association |
| Labeling for Central Kitchens of the Catering Industry by CCA | |
| 10th Annual Awards Ceremony (2018) of Top 10 Catering Brands in Beijing | Beijing Cuisine Association |
| — Most Popular Dish | |
| 2019 Hotpot Industry Brand Innovation Case in China: Top 10 Brands for | China Cuisine Association |
| Trendy Product Innovation — Xiazhuxiatang | |
| Certificate of Customer Satisfaction Brand in China | China Enterprise Evaluation Association |
| Venture Development Outstanding Contribution Enterprise of China's Catering | China Cuisine Association |
| Industry of the 40th Anniversary of the Reform and Opening-up | |
| 10th Annual Awards Ceremony (2018) of Top 10 Catering Brands in Beijing | Beijing Cuisine Association |
| — Top 10 Catering Brands in Beijing | |



OPERATION AND DEVELOPMENT





OPERATION AND DEVELOPMENT

2.1 CORPORATE GOVERNANCE

Corporate governance is an essential requirement and important assurance for the Company to operate steadily, prevent and mitigate risks effectively, strengthen internal controls, maintain corporate brand and reputation and enhance competitiveness and corporate value. Xiabuxiabu strictly complies with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the relevant regulations of the domestic and overseas securities regulatory authorities. The Company makes great efforts to optimise its corporate governance structure, improve its corporate governance standard, and enhance risk management and anti-corruption management, so as to continuously promote the quality and efficiency of various operations and management.

Risk management

During the reporting period, the Company continued to improve its internal control system and achieved integration of internal control and risk management, so as to gradually develop a comprehensive risk management system which helps to mitigate organisational risk and improve organisational value.





OPERATION AND DEVELOPMENT

Anti-corruption

The Company strictly abides by the *Company Law of the People's Republic of China*, the *Criminal Law of the People's Republic of China*, the *Criminal Procedure Law of the People's Republic of China*, the *Anti-money Laundering Law of the People's Republic of China*, the *Criminal Procedure Law of the People's Republic of China*, the *Anti-money Laundering Law of the People's Republic of China* and other laws and regulations in China. In addition, the Company takes initiatives to improve its internal management system, strengthen the construction of integrity culture system, optimise the reporting and reward policies, consolidate internal and external cooperation on anti-fraud, proactively identify fraud risks, strictly carry out investigation on issues reported, and has zero tolerance towards corruption and fraud with an approach of prevention first and complementary with cracking-down efforts. During the reporting period, 14 anti-corruption training sessions were conducted with a total of 70 participants. No legal proceedings were filed against the Company in relation to corruption cases during 2019.



2.2 REVIEW OF OPERATING RESULTS

In 2019, based on the overall strategic plan and operation target of Xiabuxiabu, the management and all staff of the Company worked together to address changes in the domestic and overseas environment, explore development potential and improve operation efficiency. While pursuing stable development of the Company, we proactively promoted business innovation, so as to create sustainable value for all stakeholders.





OPERATION AND DEVELOPMENT

2.3 FACILITATING INDUSTRY DEVELOPMENT

As a council unit or member unit of China Cuisine Association, China Chain Store & Franchise Association, Beijing Cuisine Association and Beijing Food and Beverage Industry Association, Xiabuxiabu has successfully established the "Xiabu quality" standard to lead the industry upgrading, demonstrating our innovation strength as an industry leader. Meanwhile, we made proactive efforts to create a fair and harmonious operation environment for the catering industry, participated in the preparation of the Guide for Food Labeling for Central Kitchens of the Catering Industry and won recognition from China Cuisine Association. In addition, we proactively participated in the consultation process for revision of various policies, making contributions to the promotion of regulated operation and sustainable development of the industry.

| Name of associations | Positions |
|--|-----------------------|
| China Cuisine Association | Council unit |
| China Chain Store & Franchise Association | Standing council unit |
| Beijing Cuisine Association | Deputy chairman unit |
| Beijing Food and Beverage Industry Association | Deputy chairman unit |

2.4 IMPROVING BRAND INFLUENCE

Brand name recognition and innovation strength are the driving force behind the brand influence of an enterprise, in particular brand name recognition is essential to the establishment of brand influence. Currently, as the brand-oriented consumption pattern is taking shape, and given the concentration of release and advertisement resources on powerful brand media, the implementation of brand building strategy and establishment of brand name are key to build up our brand influence. In recent years, while providing consumers with healthy and delicious food, Xiabuxiabu proactively cooperated with relevant entities to improve our brand influence.

Case: Promotion activities on 17 December for listing anniversary celebration

On the meaningful days for the brand, we launched a series of activities including Regular Customers of Xiabuxiabu, Collection Contest of Stories with Xiabuxiabu and Interviews with Experienced Employees. We organised a series of restaurant review by key opinion leaders (KOL) at our first Xiabu restaurant featuring the 90s decoration style, with an aim to enhance the recognition and preference of our brand from the potential young consumers. By launching the opening ceremony of our No. 1000 restaurant and set meal at the price of RMB50 (or above), we took the opportunity to express our gratitude towards our customers by offering them generous discount, so as to strengthen their brand memory, achieve interaction between the brand and the users and enhance brand value.







OPERATION AND DEVELOPMENT

Case: Participation in Asian Food Festival by Xiabuxiabu Food Company

According to the coordinated arrangement by the Coordinating Committee of the Conference on Dialogue of Asian Civilizations, the Asian Food Festival was held in Beijing in May 2019. Xiabu Food Company participated in the event. As an important part of the national home field diplomacy, it provided a very important platform for enterprises to promote and demonstrate their brand images.







COMMITMENT TO DELICIOUS FOOD





COMMITMENT TO DELICIOUS FOOD

Over the past 21 years, the Company has always regarded food safety as a critical element in the enterprise's life. Complying with the *Food Safety Law of the People's Republic of China* and other laws and regulations and adhering to the belief that "high quality derives from persistent efforts", we ensure food safety by implementing strict control from the source and adopting the direct distribution approach. The Company is committed to ensuring the safety and high quality of ingredients through strict selection of suppliers, strict control over quality inspection processes and adoption of direct distribution approach. The Company with delicious, nutritious and high-quality products and improve customer satisfaction in terms of menu design and flavour innovation, while constantly optimizing customers' dining experience through restaurant upgrade, service upgrade and purchase channel expansion.

3.1 RELIABLE FOOD

Upholding the historical mission of our development of "always adhering to a perfect combination of traditional diet culture and modern health concepts, and creating a healthy, nutritious, delicious and fashionable restaurant brand with premium quality", Xiabuxiabu is committed to providing each customer with healthy and fashionable experience while enjoying delicious food.

Xiabuxiabu has always believed that "high quality derives from persistent efforts". We implement strict food safety and quality control standards and measures in every aspect of the production and operation, and monitor product quality throughout the whole process covering from supply chain, logistics, food processing to restaurant, so as to ensure the safety and freshness of ingredients.

• Strict selection of quality suppliers

Xiabuxiabu has established a supplier management system in line with its own characteristics to select quality suppliers in a stringent manner. The Company has formulated its *Procurement and Bidding Management System* (《採購招標管理制度》), *Regional Procurement Management System* (《地區採購管理制度》) and other systems to set clear supplier management standards and management procedures. The Company strives to ensure the qualification of approved suppliers through strict review of supplier entry criteria. The Company also works to ensure the supply timeliness and quality of the suppliers through supply process supervision and improvement of communication with the suppliers. Meanwhile, the Company carries out post-service appraisal on suppliers from quality, price, timeliness and other aspects, with an aim to continuously improve the service quality of the suppliers to form a virtuous cycle, thereby promoting mutual improvement and development of the Company and the suppliers.

Xiabuxiabu has set clear supplier entry criteria and strictly implements such criteria, with an aim to select first-class suppliers in the industry. We only consider suppliers who possess necessary qualification and pass the sample inspection and on-site assessment. During the reporting period, we cooperated with a total of 591 suppliers, developed and optimised 144 suppliers and terminated cooperation with 66 suppliers. In 2019, we also strengthened management of suppliers for tea and beverage ingredients and tableware by implementing entry review on these two categories of suppliers, so as to ensure that such suppliers are able to guarantee supply quality.

Qualification: Suppliers are required to present business licenses, production permissions and comprehensive inspection reports prepared by third parties. For suppliers engaged in special industries, they are also required to obtain the specific qualification certificate required for the industry. For example, suppliers of beef and mutton are required to provide permit for designated slaughtering plant and certificate for animal epidemic disease prevention;



COMMITMENT TO DELICIOUS FOOD

Sample inspection: Suppliers are required to provide samples. The Company inspects such samples according to its product standards. For tailor-made products for the Company, in addition to sample inspection, the supplier is also required to conduct a pilot test on the tailor-made products, and will only be admitted as a qualified supplier if the sample passes the test;

On-site assessment: According to the relevant laws and regulations, and in light of the quality characteristics of Xiabuxiabu products, the Company's quality control department has developed a set of inspection criteria for suppliers. Only suppliers who pass the on-site assessment conducted by our dedicated inspectors will be admitted as qualified suppliers.

| Supplier management | Hierarchical management: According to the safety risk level of food, all the ingredients are classified into four categories. The risk level is determined on the basis of product characteristics, industry characteristics and quality management of suppliers. Different management measures are made for different types of products. On-site assessment: We visit the production sites of suppliers to have a full-scale and in-depth understanding of their quality management situation. Apart from assessment of the production quality control of the suppliers, we also conduct a comprehensive assessment of the source and risks of main raw materials to ensure that the suppliers are able to provide stable supply of qualified products. Inspection and supervision: We carried out 103 unannounced inspections on the existing suppliers. We communicated with our suppliers in relation to major projects that may be subject to quality issues, and conducted tests and review on the improvement made by the suppliers. | On-field management: In 2019, the Company had 553 new products, and implemented on- field management for major suppliers. During the reporting period, we implemented on- field management for eight lamb slaughtering enterprises based in XilinGol League and Hulun Buir League covering the entire process from acquisition of lambs to finished products, and focused on the management and control over the types, weight and age of lambs and the entire processing procedures, the inspection of finished products is under control and traceable, so as to ensure product quality. The quality control engineers assigned for the suppliers carried out over 40 on-field management during the production process for lamb produced from imported raw materials, such as New Zealand lamb, so as to ensure the quality and traceability of the ingredients. Quality improvement: We have meetings with suppliers who are subject to customer complaints or quality issues to make sure a full understanding of the situation and analyse the reasons for such problems, so as to make appropriate improvements. Food safety alert: We collect food safety information publicly released by the media |
|--|---|---|
| | | information publicly released by the media or the government, and issue alerts to our suppliers regarding safety issue of the similar type of food, so as to ensure food safety. |
| The Company has established delivery and quality appraisal management mechanism for suppliers and strictly implements such system. The Company improved accuracy of delivery, product turnover rate and supply quality through appraisal | | |

The Company has established delivery and quality appraisal management mechanism for suppliers and strictly implements such system. The Company improved accuracy of delivery, product turnover rate and supply quality through appraisal on timeliness of delivery and low-grade product ratio, so as to eliminate unqualified suppliers and ensure long-term and stable corporation with long-term suppliers.



COMMITMENT TO DELICIOUS FOOD

Strict control over the quality inspection system

Xiabuxiabu has sound product quality inspection system, so as to ensure the safety of incoming food ingredients. The Company strictly implements the *Food Safety Law of the People's Republic of China* and the *Regulations for the Implementation of the Food Safety Law of the People's Republic of China*, and has established the sound system on incoming goods inspection and record. Adhering to the principle of "strict, accurate, rapid and efficient" and according to the national standards for food safety and the product quality standards of Xiabuxiabu, the Company constantly improves the raw material inspection and acceptance process as well as the central kitchen quality control system, organises trainings and assessment management of QC personnel on a regular basis, and reinforces the laboratory management and testing capabilities to improve its quality inspection level.

Third-party quality inspection to ensure authentic inspection results

In 2019, the Company invested nearly RMB0.7 million in food risk control to identify food safety risk indicator of ingredients and food-related products, and engaged third-party inspection agencies to carry out inspection on the sample ingredients to ensure the safety of ingredients at our restaurants. From January to December 2019, with reference to the categories of delivered goods and the sampling inspection projects implemented by national and local food and drug administrations, and in light of the food safety risk assessment, we have commissioned SGS, Beijing Products Quality Supervision and Inspection Institute and several other third-party inspection agencies with international credibility to carry out inspections on our daily supply, meat, seafood and surimi, soup base and condiment products, vegetables, central kitchen condiments and other food-related products.

sampling rate with reference to the product category and risk level, and carries out inspection for each batch of products. For on-site internal or external labeling and sensory tests, it shall be conducted with a sampling inspection rate of 3-10%, and for products subject to physicochemical and microbiological inspection, it shall be sampled by batches. Any product that is determined as ungualified after inspection shall be refused for acceptance. For products with inconsistent quality performance during the past consecutive sampling inspections or have higher risk level, we shall implement risk assessment and increase batch inspection ratio to an appropriate percentage. During January to December 2019, a total of more than 600 categories of items were received, involving meat, daily supply (main courses), seafood and surimi, soup base and condiment and food-related products. The indicators used for inspection include sensory, physicochemical, microbiological and other indicators.

The Company determines the

Sampling inspection by risk level and product category to ensure quality inspection coverage ratio Enhancement of inspector management to ensure professional inspection

The inspectors of the Company have working experiences in relation to food quality inspection and receive trainings on food inspection technology and testing skills. Our inspectors include five postgraduates and eight undergraduates and eight studies, of which eight have food inspector certificates and one holds the Beijing senior food inspection engineer certificate. During the reporting period, the Company continued to increase investments in product quality inspection, effectively ensuring food safety. In 2019, the Company invested approximately RMB8.9 million in quality inspection, including laboratory equipment, sampling inspection costs, service fees of third-party inspection agencies and costs of inspectors.

> Increasing investments in quality inspection to improve inspection standard



COMMITMENT TO DELICIOUS FOOD

Adhering to the direct distribution approach

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Always adhering to the direct distribution approach, and in order to accommodate operation development needs, Xiabuxiabu continues to optimise logistics layout and improve logistics efficiency, so as to ensure the safety and freshness of food ingredients. We adopt cold chain storage throughout the whole process of logistics distribution, so as to ensure the consistently high standard and high quality performance in every aspect of the operation of all restaurants, with an aim to provide customers with fresh quality ingredients.

Localisation of product processing

- The Company has established its own lamb slaughtering and processing plant in XilinGol, implementing strict control over every aspect of the lamb production and processing procedures, formulating regulations on the production and processing process and developing standards on product quality;
- □ The Company makes great efforts to promote the implementation of clean vegetable project and carries out trial pilot at its restaurants in Shijiazhuang, Shanghai and other cities, effectively reducing the food safety risks.

Transportation vehicle support

- We only use vehicles that meet the cold chain requirements for transportation and distribution;
- All vehicles meet the food hygiene and safety standard;
- Logistics equipment such as incubators and containers are used to ensure product quality;
- All vehicles are required to be equipped with temperature control device.

Standard cold chain storage

- We strictly comply with food hygiene and safety standard for ingredient storage;
- Products subject to cold chain storage are stored in a freezer or refrigerator in strict compliance with the relevant temperature requirements;
- All self-owned or leased freezers meet the quality management standard;
- The Company has developed storage operation regulations to ensure compliant onsite operation;
- The Company implement real-time monitoring over the temperature of the freezers at each distribution center, the progress of vehicle delivery and acceptance and distribution tasks of every day, so as to ensure the quality of frozen products.

Optimisation of logistics layout

- □ The Company completed the construction of warehouses in Jinan, Xi'an, Changchun, Nanjing, Taiyuan, Southern China and its logistics network layout covering overseas bonded warehouses in accordance with its plan for the year in advance of the schedule;
- By shortening the distribution distance, we strive to deliver the ingredients to the restaurants within the shortest time, so as to ensure the freshness of ingredients;
- We consolidate our warehousing and distribution resources to ensure direct distribution of raw materials and reduce duplication of raw materials, effectively reducing transshipment costs.



COMMITMENT TO DELICIOUS FOOD

3.2 DELICIOUS FOOD

Upholding the core business philosophy of "providing delicious mini hotpot with cuisine from all over the world", Xiabuxiabu offers over 10 soup base options and distinctive hotpots by integrating the novel Chinese, Japanese, Thai and classical European cuisine styles, so as to create a variety of distinctive dish offerings, providing customers with delicious and nutritious food. Xiabuxiabu constantly develops new product offerings to cater to demands of various consumer classes, and is able to provide customers with more options through various approaches including optimising classic dishes and introducing new product offerings.

• Wide variety of ingredients

Xiabuxiabu implements global ingredient procurement, sourcing food ingredients from all over the world including Uruguay, Brazil, Argentina, Ecuador, Australia and New Zealand, such as deep-sea red prawn from Argentina, white prawn from Peru and Ecuador, grain-fed beef from Australia and mussel from New Zealand. In order to further acquire delicious and nutritious lamb with premium quality, Xiabuxiabu has entered into a cooperation agreement with the government of XilinGol League, so as to secure the long-term stable supple of XilinGol lamb.

The global procurement approach not only allows us to offer customers with better food ingredients and also helps to build a distinctive brand image, facilitating the diverse development of the Company.

• Diversified product offerings

While preserving the unique flavor and texture of the ingredients, Xiabuxiabu continues to develop a variety of new tastes, new elements and new product offerings to satisfy the personalised dining demands for "delicious, attractive and fun" products of the young generation, with an aim to increase repeat purchase, maintain brand appeal and cater to the demands for refined dining environment and socialising needs of the young customer group. Meanwhile, Xiabuxiabu develops distinct menus for its restaurants in various regions and creates distinctive regional specialties based on different customer tastes in various regions, so as to cater to the demands of customers in various regions with different taste preference and varying price ranges.

During the reporting period, the head office of Xiabuxiabu collectively launched 20 new products and 13 new types of hotpot base and condiment products. After optimisation, Coucou restaurant developed 7 menus under which the product offerings were categorised by region, so as to cater to the demands of customers in various regions with different taste preference and varying price ranges. On this basis, Coucou also updated its menus for summer and winter, and changed its offerings of decadent desserts at various festivals. Continuous efforts have been made to enrich and optimise its product offerings, creating a variety of post-hotpot desserts as well as eye-catching and delicious products by combining hotpot ingredients with lovely and trendy elements, including penguin-shaped cuttlefish balls, lobster soup base, all kinds of seafood (such as lobster, black tiger shrimp, giant river prawn and Spanish cardinal prawns) and various types of raw beef, so as to provide customers with more options of dishes and flavor.



COMMITMENT TO DELICIOUS FOOD



Picture: New dish introduced by Xiabuxiabu restaurant – tender chicken roll



Picture: New dish introduced by Coucou restaurant – penguin-shaped cuttlefish ball



Picture: New dish introduced by Xiabuxiabu restaurant – cheese-spurted shrimp ball



Picture: New soup base introduced by Coucou restaurant – lobster soup base

Diverse business mode

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In order to satisfy customers' various dining needs and broaden revenue streams, in addition to operating Xiabuxiabu and Coucou hotpot restaurants, the Company also provides customers with hotpot delivery services, enabling customers to enjoy the same premium hotpot takeout products at anytime and anywhere as at our restaurants. Xiabuxiabu launched two business segments, i.e. Xiabu Fresh which provides delivery service for raw ingredients and Xiazhuxiatang which provides delivery service for cooked food, and continued to expand its delivery channels, with an aim to garner more market shares. In 2019, Xiabu Fresh continued to expand at a rapid pace. Based on its cooperation with Ele.me and Meituan, Xiabu Fresh reached a cooperation agreement with the platform of a pharmaceutical enterprise and launched over 300 online restaurants, providing better delivery service of fresh hotpot ingredients and enabling consumers to enjoy delicious and fresh Xiabu food anytime and anywhere.

Owing to its convenience, Xiazhuxiatang is free from space limitation. During the reporting period, due to the rapid growth of the delivery business through constant optimization and upgrade and increasing consumption demand, the restaurants hit capacity bottleneck. Against this backdrop, Xiazhuxiatang upgraded its existing equipment and readjusted its operational process and standards, so as to break the original capacity bottleneck while preserving the original features of "specialised cooking pot system, standardised taste and exquisite packaging". In addition, Xiazhuxiatang also implemented various measures such as optimisation of the package products, so as to achieve efficient and quality production. In 2019, Xiazhuxiatang continued its popularity among consumers, with a top record of 413 take-out orders from one store in a single day.



COMMITMENT TO DELICIOUS FOOD

3.3 EXCELLENT DINING EXPERIENCE

Xiabuxiabu is dedicated to providing customers with a comfortable, convenient and efficient dining environment by improving customer dining experience and enhancing service efficiency of its employees. Meanwhile, attaching great importance to the protection of consumers' rights and interests, the Company pays close attention to customer demands and reviews its response to such demands on a regular basis, with an aim to fully protect their rights and interests and improve customer satisfaction. During our daily operation, we strictly comply with the *Food Safety Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, pay close attention to regulations in relation to consumer management within and outside the industry, exert efforts to prohibit false advertising and place great emphasis on consumer privacy protection. Xiabuxiabu takes measures to protect its member customers' privacy from channels, rules, information protection, data management and other aspects, undertaking to take all reasonable care to keep confidential of their private data. In addition, Xiabuxiabu also makes rigorous efforts to keep confidential of the delivery business and safeguards their basic rights and interests.

Improvement of customer experience

- ✓ Xiabuxiabu proactively promotes new Taiwanese-style services, requiring its restaurant staff to observe customer needs without unnecessarily interrupting their leisure dining experience, and to deliver unnecessarily friendly, considerate and attentive service to the customers with smile and patience;
- ✓ Orientation training is provided for all employees before they start work, and a dedicated trainer is assigned for each employee for guidance and instruction. After completing the trainings in relation to their position standards by the trainers, these employees will be subject to dual appraisals by the trainer and the restaurant manager, so as to ensure that they have mastered the relevant standards;
 - ✓ Coucou restaurant facilitates the introduction of interns majoring in food & beverage from universities in Taiwan, and cooperates with the HR department to jointly implement the Taiwanese management trainee system. Through on-site demonstration of Taiwanese-style service by these interns from Taiwan as an effective example, the staff will have more in-depth understanding of the Taiwanese-style service and enhance their ability to provide such services.

Taiwanese-style service upgrading

Dining environment improvement

- ✓ The Company continues to carry out decoration upgrading work of the restaurants to create a relaxing, comfortable and convenient dining environment for its customers;
- ✓ Xiabuxiabu promotes the use of two-way freezers to improve the working efficiency of staff during the dish-serving process, so as to ensure the freshness of vegetable products. Xiabuxiabu has introduced the refrigerated condiment bar to reduce the frequency of replacing the crushed ice, with an aim to ensure the freshness of the condiments, so as to improve customer satisfaction;

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- ✓ The restaurants have introduced the dish serving robots, which not only increases customer traffic and also, to a certain extent, relieves the dish serving pressure at the pickup window during peak hours, reducing the waiting time of the customers.
- ✓ The Company has well-established complaint processing procedure to promptly handle customers' complaints. The Company has established various channels for customers' complaints including 400 customer service hotline, customer service mail box, company mailbox, WeChat account, Weibo account and dianping.com, etc.;

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- ✓ The Company organises service case sharing meeting every week, at which it analyses customers' positive and negative comments on the restaurants, so that the staff can understand the spirit of premium service and come up with improvement solution;
- Customer complaint settlement rate of Xiabuxiabu restaurants and Coucou restaurants reached 100% during the reporting period.





2019 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMITMENT TO DELICIOUS FOOD

Prohibition of false advertising

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The Company strictly complies with the *Advertisement Law of the People's Republic of China* and other laws and regulations of the PRC, so as to deliver true and objective description of the ingredients, dining environment and services provided by Xiabuxiabu, whether directly or indirectly through we-media or other mediums. Meanwhile, we strictly follow the Company's approval procedures regarding external promotion and advertisement, and such information shall be reviewed and approved by the business execution department, marketing department, brand management department and legal department respectively before releasing to the public.

Protection of consumer privacy

Xiabuxiabu is determined to protecting customers' personal privacy. As to protection of our member consumers' private data, we take measures to keep confidential of their private data from channels, rules, data management and other aspects.



As to protection of customer private data of the delivery business, we cooperate with the delivery service platform to keep confidential of certain sensitive private data by setting certain time limits or omitting certain information in the delivery order slips. In order to protect consumer privacy, Xiabu Fresh joins hands with the delivery service platforms to keep confidential of their private data, so that the consumers can trust us with food safety and information protection. So far, Xiabu Fresh has successfully protected the privacy of customers who have placed orders through its delivery service platform. The delivery staff are able to contact the consumer within only three hours after placing the order via private mobile number which shall be lapsed after the prescribed period of time, and part of the customer's name is omitted, so as to keep confidential of the consumers' private data.



GREEN OPERATION





GREEN OPERATION

Xiabuxiabu attaches great emphasis to green operation, pays attention to energy conservation and environmental protection, and strictly complies with the *Environmental Protection Law of the People's Republic of China*, the *Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China* and other laws and regulations. The Company formulates energy conservation and emission reduction measures, implements reforms on green office and restaurant operation environments, and increases its investment in environmental protection every year. Furthermore, the Company strengthens its promotion on environmental protection, actively responds to the national low-carbon development policy, reduces exhaust and wastewater emissions, reduces waste generation, maintains low-carbon and green operation and fulfils its green and environmental protection social responsibility, with an aim to promote the sustainable development of the Company and the society. In 2019, the Company was not involved in any litigation or corresponding penalty due to violation of environmental laws and regulations.

4.1 OPTIMISATION OF RESOURCE USE

Adhering to its principle of low-carbon operation and in active response to the national initiatives, while upholding the concept of energy conservation and consumption reduction, Xiabuxiabu strives to improve utilisation of natural resources, optimise energy mix, constantly enhance refined management, proactively introduce advanced environmental-friendly and energy-saving technologies and promote energy conversation and emission reduction projects, with an aim to constantly optimise its resource use.

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

| Indicators | Unit | 2019 |
|---|--------------------------------|----------------|
| Total electricity consumption | kWh | 157,334,066.01 |
| Electricity consumption per unit of operating revenue | kWh/RMB million | 26,091.02 |
| Gasoline consumption | litre | 29,886.10 |
| Gasoline consumption per unit of operating revenue | litre/RMB million | 4.96 |
| Municipal water consumption | m ³ | 2,029,690.70 |
| Municipal water consumption per unit of operating | | |
| revenue | m³/RMB million | 336.59 |
| Catering sewage discharge | m³ | 1,725,237.10 |
| Catering sewage discharge per unit of operating | | |
| revenue | m ³ /RMB million | 286.10 |
| Natural gas consumption | m ³ | 1,241,129.00 |
| Natural gas consumption per unit of operating revenue | m³/RMB million | 205.82 |
| Scope 1: direct GHG emission | tCO ₂ e | 2,781.34 |
| Scope 2: indirect GHG emission | tCO ₂ e | 108,771.79 |
| Total GHG emission | tCO ₂ e | 111,553.13 |
| GHG emission per unit of operating revenue | tCO ₂ e/RMB million | 18.50 |

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



GREEN OPERATION

- Notes: 1. The calculation of GHG emission refers to the Greenhouse Gas Protocol: a corporate accounting and reporting standard issued by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the Fifth Assessment Report issued by the Intergovernmental Panel on Climate Change (IPCC). The grid emission factor used in the calculation of Scope 2 refers to the latest China's regional grid emission factors (2017) released by the Department of Climate Change under the Ministry of Ecology and Environment of the People's Republic of China and the national grid emission factor (2017) released by the National Development and Reform Commission;
 - 2. The calculation of catering sewage discharge refers to The First National Survey of Pollution Sources on Urban Waste Source Discharge Coefficients Handbook;
 - 3. The basic energy consumption data shown in the above table is consistent with the calculation reported to the National Bureau of Statistics, which cover the data of Xiabuxiabu Restaurant Management Co., Ltd., Xiabuxiabu Restaurant Management (Shanghai) Co., Ltd. and Coucou Restaurant Management Co., Ltd.;
 - 4. Since 2019, the logistics vehicles consuming diesel are no longer used, so there is no diesel consumption.

| • Energy-saving | opera | ation |
|-----------------------------------|-------|---|
| Energy conservation management | > | Increased efforts have been made at the head office to ensure that lights and equipment are turned off when leaving the office. The new energy-saving technology of geo- thermal heat pump is adopted to control room temperature; |
| | | All restaurants are equipped with dedicated staff to arrange customer traffic, with an aim to increase customer concentration and minimise the use of lighting and air conditioners; |
| | ۶ | Service staff will adjust the temperature of the induction cookers based on cooking needs during the dining process, so as to reduce energy consumption; |
| | ۶ | Service staff will pay close attention to the dining progress of the customers and turn off the power once they finish the meal, so as to avoid idle-running of the cookers; |
| | | Priorities are given to kitchens, lavatories and other places with heavy water consumption, and measures have been taken in our daily utilisation and management to prevent water spraying, dripping and leaking, so as to reduce resource consumption. |
| Technology improvement | • | Measures have been taken to improve the performance of doors, windows and walls in heat preservation. We replaced the ordinary single-layer glazing of doors and windows with hollow glazing, covered walls with rock wool boards and requested the manufacturers to affix the doors and windows with sealing strips, with an aim to improve heat preservation performance; |
| | | The filters of the air conditioners and the cooling fins of their outdoor units used in our restaurants have been cleaned on a regular basis, which contributes to a reduction of approximately 9% in power consumption by ventilation and air conditioning system. Based on the useful lives and energy consumption assessment of the air conditioners, professional personnel have been engaged to gradually replace the air conditioners with inverter air conditioners; |
| | | The drainage systems are properly designed, and new devices such as water-saving taps and water-saving sanitary fittings have been installed. |



GREEN OPERATION

| Replacement with energy-saving equipment | AAA | The Company advocates the application of energy-saving lamps. To the extent that sufficient lighting is provided, all 6-watt lighting lamps have been replaced with 5-watt lighting lamps, achieving a power saving rate of approximately 16% and contributing to a reduction in power consumption; Oil fume purifiers are applied in the smoke extraction system of the restaurants, so as to reduce air pollution; Through restaurant renovation, the induction cookers have been gradually placed with the energy-saving ones. |
|---|-----|--|
| Saving of materials | AAA | All restaurants have ceased to use disposable chopsticks, reducing the discharge of other wastes by approximately 379.08 tonnes in total; We promote the use of incubators and containers, so as to reduce the usage of paper cartons and polyurethane foam cartons; During the reporting period, the main packaging materials used by the Company |
| | | included carton boxes, paper cups, plastic cups, PP bags, packing bags, coiled materials for seasonings, soup base bags and composite bags. The total usage of the above- mentioned packaging materials were 5,757.77 tonnes, representing the consumption |

• Green construction

Strict management on construction works: Efforts have been made to prevent the conversion of excessive construction materials into construction wastes, including reducing the construction wastes generated during construction, making technical disclosure to the contractors, on-site supervision, inspection and acceptance of construction processes, and budget for building materials.

of packaging materials per RMB1 million operating revenue of 0.95 tonne.

- Optimisation of construction technologies: Construction technologies have been optimised by applying the prefabrication approach instead of field fabrication and using green building materials, etc., which effectively reduces the construction wastes generated at the construction sites.
- Promotion of energy conservation and emission reduction concepts: While passing on construction techniques, lectures on energy conservation and consumption reduction were given by project engineers to the construction workers. Furthermore, measures have been implemented to achieve energy conservation and consumption reduction, and slogans were hung at the construction sites to promote such concept.

Case: Recycling use of cooling water from ice machine

During the daily operation of Coucou restaurant, it has come to the attention of the staff that the wastewater from the operating ice machine at the restaurant was directly discharged into the sewage, leading to waste of water resource. Through research and innovation efforts by the team, the cooling water from the ice machine was discharged into the water scape pool for reuse.

While ensuring the smooth operation of the ice machine, this solution also guaranteed water supply and circulation of the water scape pool to prevent the proliferation of hazardous substances as a result of prolonged water blockage, which helped to create a clean and hygienic environment, so as to effectively safeguard the mental and physical wellbeing of the customers and employees, satisfy the customers' demand for a quality dining environment and reduce in-house maintenance services due to machine failure.



GREEN OPERATION



Picture: Ice machine used at Coucou restaurant



Picture: Water scape pool at Coucou restaurant

Case: Application of electric oil-water separators by the restaurants

Due to the operation nature of hotpot restaurants, more kitchen waste residual and waste cooking oil are produced than other catering businesses. Traditional grease traps do not perform well in intercepting the oil and grease with a relatively low recovery rate, resulting in blockage in the main and branch sewage or even replacement of the pipe in serious condition, which may disrupt the operation of the restaurants. In addition, from the perspective of environmental protection, wastewater discharged after treatment by traditional grease traps may present potential hazards for municipal wastewater treatment.

In view of the above-mentioned factors, and according to the environmental protection requirements in relation to the application of electric oil-water separators by the Environmental Protection Bureau, more and more Coucou restaurants began to use electric oil-water separators. With its heating function, the separation rate of electric oil-water separator reaches 85% to 95%, which is far higher than that of the ordinary oil-water separators and ordinary grease traps, providing a more efficient and environmentally-friendly way for subsequent treatment of kitchen wastes. As at the end of the reporting period, we have conducted relevant inspection on the drainage system at the new restaurants that are under construction.




GREEN OPERATION

4.2 CONTROL OF EMISSIONS

In compliance with the relevant laws and policies of China and the requirements supervising and regulating the sortout, transportation and treatment of wastes issued by government authorities, and in order to early adapt to the new requirements of the Regulations on the Management of Domestic Waste in Beijing which will be put into effect on 1 May 2020, Xiabuxiabu revised its in-house *Management System for Kitchen Waste* (《餐廳垃圾管理制度》) during the reporting period, while the operation inspection department shall check if such requirements are met during restaurant inspection. Instructions have been given to the restaurants to upgrade the original labels of "kitchen wastes", "domestic wastes" and "other wastes" into four categories including "kitchen wastes", "recyclable items", "other wastes" and "hazardous wastes".



The Company requires that different categories of waste shall be transferred to units with collection and transportation qualification for disposal, transportation and treatment, and waste generated and cleaned every day shall be recorded and kept in the *Waste Management Ledger* (《垃圾管理台賬》). The non-hazardous waste of Xiabuxiabu mainly derives from domestic waste generated by dining halls and kitchen waste generated by kitchens of the restaurants. During the reporting period, Xiabuxiabu restaurants in different regions produced approximately 37,800 tonnes of domestic waste and kitchen waste in total.

In addition, Xiabuxiabu took proactive measures to manage the usage of disposable materials and wastewater discharge. During the reporting period, the Company ceased the use of disposable chopsticks and replaced them with sterilized chopsticks for repeated use. We also completed the construction of wastewater treatment station and conducted water quality testing, effectively solving the issue in relation to discharge of domestic wastewater and production wastewater incompliant with the relevant standards, so as to ensure that the quality of the water discharged meets the national discharge standards.



GREEN OPERATION

4.3 PROMOTION OF GREEN CONCEPT

While adopting various measures to achieve energy conservation and emission reduction, Xiabuxiabu proactively advocates the concept of a low-carbon, environmentally-friendly and energy-saving lifestyle to the public. We place signs on each table advocating "Order what you can take" as a kind reminder for customers to avoid wastage, and participate in activities such as green consumption for sustainable consumption promotion week, bringing the concept of low-carbon, environmentally-friendly and sustainable development to more people.

Case: Active response to the "sustainable consumption promotion week" program

On 1 August 2019, the "2019 Green Promotion Week of Sustainable Consumption (2019綠色可持續消費宣傳周)" jointly organised by China Chain Store & Franchise Association (CCFA), World Wide Fund for Nature (China) and other organisations was officially launched in Beijing, with representatives from the government authorities, media, international organisations, academic institutions, developers of sustainability standards, non-government organisations (NGO), enterprises and artists participating in the event to conduct seminars and exchanges and come up with proposals on themes such as "how to define sustainable consumption", "sustainable consumption and protection of biodiversity" and "sustainable consumption and innovation".

In active participation in and response to this sustainable consumption promotion week program, Xiabuxiabu designed the special version of placemat paper for the sustainable consumption promotion week which was used at the restaurants, with an aim to advocate the concept of sustainable consumption to the consumers and join hands with the consumers to promote the consumption pattern of "wise ordering and green consumption".





Picture: Promotion label of sustainable consumption at Xiabuxiabu restaurants

Picture: Placemat paper promoting sustainable consumption at Xiabuxiabu restaurants



FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE





FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

Upholding the people-oriented principle, Xiabuxiabu takes concrete measures to safeguard the legitimate rights and interests of all employees, promote employee career development and care for their mental and physical wellbeing, in an effort to achieve mutual development of the Company and the employees. In addition, the Company proactively fulfills its social responsibilities by dedicating itself to community public welfare activities and carrying out targeted poverty alleviation in response to the relevant national strategy.

5.1 PROTECTING RIGHTS AND INTERESTS OF THE EMPLOYEES

The Company strictly abides by the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and other relevant laws and regulations of the PRC, and has developed sound human resources management system and established sophisticated remuneration and benefits system. In addition, the Company fully protects employees' rights and interests in respect of recruitment, dismissal, working hours and rest periods, safeguards all employees' entitlement to equal employment opportunities and prohibits discrimination on grounds such as gender and age, in an effort to build an equal and diversified workforce.

• Fair and compliant employment

Xiabuxiabu considers its employees as valuable assets of the Company, places great emphasis on the diversity of its workforce, and is committed to creating a fair and impartial work environment for its employees, with an aim to build a harmonious and diversified team. Upholding the concept of "building a talent echelon, ensuring strategic talent reserve, focusing on frontline staff and streamlining middle and back office team" and adhering to the principles of "fairness, openness and equity" in recruitment, the Company prohibits the use of child and forced labour during the recruitment process and has zero tolerance towards any form of unfairness on grounds such as age, gender and culture.

Recruitment policy





FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

During the reporting period, Xiabuxiabu adhered to the equal employment principle and made continuous efforts to optimise staff structure. As at the end of the reporting period, the Company had a total of 31,373 employees. An analysis of employee distribution is as follows:





FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

Remuneration and benefits

In compliance with the requirements of the laws and regulations of the PRC, and adhering to the principle that corporate growth relies on and benefits employees, Xiabuxiabu has developed rational regulations on employee remuneration, work-related matters and various benefit policies and made continuous efforts to optimise its remuneration system, so as to safeguard the legitimate rights and interests of the employees, improve their working efficiency and promote the mutual development of the employees and the Company.

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

| Working hours and rest periods | comply with the working hour requirement under the <i>Labour Law of the People's Republic of China</i>; guarantee employees' entitlement to national statutory holidays, marriage leave, funeral leave, home leave, maternity leave, family planning leave and paid annual leave. |
|---|--|
| Five Social Insurances and One Housing Provident Fund | provide its employees with five social insurances including pension, work-related injury, maternity, unemployment and medical insurances and the housing provident fund; purchase employer liability insurance for employees of all restaurants nationwide. |
| Allowances for employees | provide free working lunch or meal allowances for all employees; provide transportation, telephone and travel allowances for employees at posts with particular needs. |

• Appraisal and promotion

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

The Company nurtures talent reserve by recruiting management trainees from schools every year, establishing reserve talent pool and conducting talent review, with an aim to secure sustainable supply of front-line management backbones for the Company. Meanwhile, based on the talent review on the existing management personnel, the Company has recruited additional middle and frontline staff, marking significant progress in talents identification, talents development and talents retention.

The Company establishes a scientific talent appraisal system, and implements monthly appraisal, quarterly appraisal, annual appraisal and special appraisal for performance appraisal, and regularly tracks and analyzes the employees' accomplishment of performance targets. In the examination and appraisal, the Company focuses on appraising both employees' professional competence and their behaviors. The Company dismisses unqualified employees every year, and promotes those with outstanding performance, ability and integrity.



FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

5.2 CREATING HAPPINESS

Xiabuxiabu places great emphasis on operation safety and cares for the mental and physical wellbeing of the employees. We have come up with a series of measures covering employee safety and health, work and life balance and other aspects, so as to build a good working and living environment for the employees and create a healthy, positive and harmonious working atmosphere.

Focusing on employee safety and health

Xiabuxiabu makes great efforts to ensure canteen food safety and safety in production premises, striving to create a safe and comfortable working environment. The Company also cares for the mental and physical wellbeing of the employees, and takes measures to strengthen the harmony and stability of staff team and their families, so as to enhance employees' sense of happiness.

Employee food safety The Company takes effective measures to enhance the food safety awareness of its staff, and ensure safety of the food provided by the staff canteens for the employees:

- In accordance with the Food Safety Law of the People's Republic of China, the Company implements strict control over the quality
 of canteen ingredients as well as food quality, hygiene issue and serving process, so as to ensure food hygiene and safety;
- The quality management department carries out smearing inspection on the public tableware used by employees and appliances of the meal-serving room, and the person-in-charge of the canteen carries out smearing inspection on the gas valves and key connection parts of the canteen when they resume work every morning. The hygiene qualification rate of the public tableware used by employees and appliances of the meal-serving room reaches 100% throughout the whole year;
- We implement strict control on bottled water and boiled water, so as to ensure safe drinking water for all employees;
- We regulate the daily canteen operation process by the canteen staff and enhance teamwork among the staff, so as to improve work efficiency.

The Company makes continuous efforts to improve safety system, enhances safety inspection, implements safety trainings and carries out safety risk prevention and control, so as to ensure safety in the operation premises and the occupational health of the employees:

- The Company strictly abides by the laws and regulations in relation to production safety of the PRC, and develops relevant
 production safety rules and regulations, so as to effectively ensure production safety and create a working environment that meets
 relevant standards;
- The Company enters into fire-fighting contracts and wastewater and exhaust inspection contracts with professional fire-fighting
 agencies and professional agencies providing environment monitoring technology services, perfects safety quality system and
 environment system documents, so as to ensure production safety of the Company;
- The Company conducts special inspection on fire prevention, including arranging central control personnel to conduct inspection
 and testing on the fire pump, fire hydrant and other equipment and make inspection record, and assigning fire-fighting officer to
 conduct re-examination and follow-up examination every week, so as to ensure the accuracy and trueness of the findings;
- Safety inspection and examination is conducted for each plant every day to eliminate potential safety hazard in time and ensure safety of each plant;
- Registration is required for every visitor and vehicle coming in and out of the plants to prevent unauthorised access into the plants, so as to ensure the safety of the plants;
- The Company organises fire safety trainings and drills to enhance employees' fire safety awareness as well as evacuation and emergency response capability.

The Company arranges regular physical examinations for its employees, organise team-building activities from time to time, and continuously optimises the working environment, so as to effectively ensure the health of the employees:

- The Company replaces the green plants in the offices from time to time, and carries out decoration for various festivals to deliver a festive atmosphere, enabling our staff to keep a pleasant and relaxing mood in their busy work;
- The Company provides shuttle services for employees to commute between home and work, which recorded no traffic incidents
 or delay throughout the year, so as to ensure safety of the employees during their commute;
- In autumn and winter, the Company organises all staff to visit the production base and harvest vegetables, so as to enhance communication and cohesion among the employees;
- All workers in the canteens of the Company receive health examination, so as to protect our employees from malicious infectious diseases as best as we can;
- The logistics department carries out a series of upgrade, maintenance and renovation of the air conditioners, domestic water heaters and dormitory facilities, so as to provide a more comfortable environment for the staff.

Employee mental and physical wellbeing

Operation

premise safety



FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

Case: Fire-fighting drills organised by the Company

In order to enhance employees' fire safety awareness and improve their emergency response capability, the Company organised a fire-fighting drill on 9 November 2019.

During the drill, the communication group, evacuation group, emergency response group, reporting group, security group and rescue group performed their respective duties well and cooperated closely with each other, effectively ensuring the smooth operation of the fire-fighting drill. The drill helped to enhance the overall safety awareness and fire safety knowledge of the employees and their emergency response capability in dealing with a fire incident.



• A work and life balance

Upholding the "people-oriented" basic employment concept, Xiabuxiabu makes great efforts to enable employees to enjoy their work, constantly improving their sense of happiness and enhancing team cohesion. The Company pays close attention to the employees' expectation, cares for the employees' work and life, delivers love and care to them, and organises a variety of activities to strengthen communication among the staff, so as to create a good working atmosphere and achieve a work-and-life balance for the employees.

- Enhancing communication with the employees: the Company organises quarterly and monthly communication meetings with the employees at which the Company briefs the employees on the important matters and obtains their feedback and suggestions;
- Organising cultural and sport activities: the Company organises tug of war, vegetable harvesting, team-building activities and year-end banquet, with an aim to enhance understanding among the staff, improve team cohesion and deliver care and love to the employees, enabling them to enjoy a relaxing moment beyond busy work;
- Caring for female employees: The Company establishes the mother-and-baby room to provide convenience for the working moms, and presents flowers and gifts to female employees on the Women's Day;
- Offering greeting on festivals: The Company organises all kinds of activities on traditional culture festivals and some special days, for example delivering wish cards and decorating Christmas tree for employees during Christmas; organising riddle guessing contest and providing glutinous rice ball dishes on the Lantern Festival; and sending flowers and gifts to female employees in the name of senior management of the Company on the Women's Day to deliver love and care to female employees.



FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE



Picture: Visiting restaurants to offer festival greetings to the frontline staff by the management of the Company and restaurants



Picture: Celebrating activities on the Women's Day



Picture: Birthday party for employees



Picture: Participating in tug of war by the employees



FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

5.3 PROMOTING EMPLOYEE DEVELOPMENT

Xiabuxiabu places great emphasis on employee development, and provides opportunities to explore employee potential and promote employee development through various measures such as developing employee training plans, improving training system, enriching training program, clarifying appraisal requirements and providing fair and transparent promotion path, motivating employees to realize their self-worth.

Employee training

•

Xiabuxiabu attaches emphasis to employee trainings and strives to establish a sound training system by constantly improving its training methods and training channels, with an aim to promote employee development and achieve mutual development of the Company and the employees.





FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

During the reporting period, Xiabuxiabu and Coucou organised different training programs targeted for various employees based on the operation characteristics of various businesses, so as to constantly improve the professional skills of the employees.

Xiabuxiabu

- Unified nationwide operation standards were implemented to keep consistent services of the chain restaurants;
- Unified implementation of operation standards was ensured by various function departments within the Company to keep the operation standards consistent and accurate;
- Continuous efforts have been made to optimise and update course program on restaurant management, with an aim to facilitate talent training for restaurant operation:
- Xiabuxiabu organised various activities for employees at all levels to strengthen corporate cohesion;
- Xiabuxiabu organised various competitions for employees at all levels, with an aim to improve their skill standard by training through competitions;
- Xiabuxiabu has developed brand new study manuals and system manuals for management personnel, so as to help the restaurant management to master more professional knowledge;
- Xiabuxiabu has established the online training academy and produced multimedia video courses, providing more intuitive video training.



Coucou

Completion of the establishment, development and promotion of the full-range courses: based on the orientation training for new employees, trainer program, and junior and middle management training courses, Coucou provided additional 16 training courses including senior training courses for restaurant managers, training courses for regional managers, training series on equipment maintenance, intensive training camps for restaurant managers and premium 5S management courses, with an aim to lay a solid foundation for restaurant operation; Research and development of the 5S management: Coucou independently researched, developed and promoted the concept of 5S restaurant management, covering from training and promotion to inspection and supervision, so as to improve the 5S management of the restaurants; Improvement of management manuals: Coucou has completed the compilation of restaurant food safety manual, 5S management manual, equipment maintenance manual and crisis management manual, establishing a holistic and systematic training model for colleagues of the operation department.

| | Offline trainings | | | |
|-----------------------------------|-------------------|------------|--------------|--------|
| Dimension | Professional | Management | New employee | Total |
| Total number of | | | | |
| employee training sessions | 73 | 59 | 715 | 847 |
| Total number of employees trained | 1,315 | 1,704 | 1,157 | 4,176 |
| Total training hours | 4,182 | 4,529 | 3,457 | 12,168 |

In 2019, the Company officially launched the online training platform "Xiabu Academy", and recorded online training participants of 2,171 during the reporting period, with a total of 2,452 training hours. On the other hand, details of the offline trainings undertaken by the Company's employees during the reporting period were as follows:

Note: Due to the continuous expansion of the operation, the expansion of personnel recruitment and the increasing demand for personnel development in Xiabuxiabu and Coucou brands, the data related to training showed an overall increase over that of previous years. In addition, as the trainings for new employees has changed from the regular training mode to an approach combining "regular trainings and orientation trainings", the data related to trainings for new employees has increased significantly.



FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

Case: Practical training on project management

The business of our IT department and engineering department is featured with periodic projects, leading to strong demand for professional project management knowledge by the staff of these departments. In order to meet these demands and in light of our actual business needs, the Company organised special trainings on project management for the IT department and the engineering department during the first quarter of 2019.

Through study of the professional project management knowledge, the staff will apply such knowledge and approaches to the projects managed by them at work, achieving standardised project management within the Company to facilitate the smooth operation of such projects. As the training has motivated some trainees to undergo further study, the Company also helped them to enrol in the Project Management Professional (PMP) certification training course. Five employees sat in the exam during the year, and three of them have passed the exam and were granted with the PMP certificate.

伊喻伊喻 2019 呷哺呷哺集团《项目管理实践》专项培训





FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

Case: The Second Skillful Coucou Position Skill Competition

Sticking to the brand development positioning proposed by the Company and under the current operation principle of "business innovation, talent cultivation and systematic construction", the Company held the Second Skillful Coucou Position Skill Competition during June to October 2019.



Picture: "Skillful Coucou" event – referee panel for the final



Picture: "Skillful Coucou" event – talent demonstration by contestants



Picture: Intensive training camp for elite restaurant managers



Picture: First regional manager training program



FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

5.4 CONTRIBUTION TO THE SOCIETY

The Company owes its development to the support of the society, and therefore Xiabuxiabu is committed to pursuing mutual growth and harmonious development of the Company and the society. Xiabuxiabu believes that development of the communities in return offers greater development potential for the Company, thus creating a virtuous circle. Over the past years, Xiabuxiabu worked together with schools, charitable organisations, communities and other partners, and unwaveringly participated in public welfare undertakings including financial support for students, poverty alleviation activities, emergency relief and environmental protection.

Case: Care with love and build bright future (以愛之名,築夢未來) - Xiabuxiabu charity activity for Children's Day

On 31 May 2019, the trade union under Xiabuxiabu Group joined hands with Federation of Trade Unions of Huangcun Town, Daxing District, Beijing to offer gifts to the children of three preschools in Huangcun Town, Daxing District for Children's Day, i.e., a total of approximately 1,700 school bags, which not only represented our love and best blessings for the children, but also demonstrated the children's desire for knowledge and expectation for the future. Apart from these gifts, during the three-day activity, our staff also played interesting games with the children, leaving behind happy memories of smiley faces and joyful laugh.



As Mr. Ho Kuang-Chi, the Chairman, pointed out: "The Company proactively participates in public welfare activities every year, so as to make contributions to the society and fulfil its corporate social responsibility". Over the past years, as a leading brand in the catering industry, Xiabuxiabu proactively leveraged on its own advantages to make contributions to the society as best as it can.



FULFILLING CORPORATE RESPONSIBILITIES WITH CARE AND LOVE

Case: Join Hands to Create Happiness (見證幸福,杞能沒你) - participation in a visit to the site of the green poverty alleviation project initiated by China Green Foundation

As a leading company in the catering industry, while being committed to providing consumers with delicious and quality food, Xiabuxiabu takes social responsibility as its corporate mission and proactively participates in all kinds of social public welfare activities, taking actual actions to fulfil its corporate social responsibility.

On 13 July 2019, China Green Foundation organised harvesting and visiting activities in Zhongning, Ningxia where its 2019 "Happy Homeland – Western China Green Action" green poverty alleviation (Zhongning, Ningxia) project operates. Public welfare experience officers from all over the country, the project director from China Green Foundation, local government leaders from the place where the project operates and farmers planting wolfberry trees got together to visit the project site and share their view on green poverty alleviation, which was designed to explore an innovative public welfare mode by integrating ecological protection with poverty alleviation development program.

Through this visit, we not only carried out inspection on the implementation of the project, but also gained an in-depth understanding of the extension of the wolfberry-related industry. During the activity, Xiabuxiabu and other public welfare experience officers paid a visit to the Xiabuxiabu Loves Forest (呷哺呷哺愛心林) which were planted in April 2019, where they participated in the harvest process of wolfberry and visited the processing workshop to learn the production process of wolfberry products. They also conducted a study on the wolfberry big data platform of Zhongning to learn about the implementation of the product quality traceability project.

Ms. Zhang Yanmei, the public welfare experience officer and special assistant to the Chairman of Xiabuxiabu Group, said: "Through the whole-day visit, we gained a better understanding of the development of the wolfberry industry, and witnessed the efforts made by people from all walks of life to promote the development of the wolfberry industry. Xiabuxiabu has dedicated itself to the public welfare activities, and will also proactively cooperate with China Green Foundation and other organisations to participate in green poverty alleviation programs through various public welfare activities".



Xiabuxiabu public welfare experience officer at the donation ceremony of wolfberry saplings



"Happy Homeland – Western China Green Action" green poverty alleviation (Zhongning, Ningxia)



OUTLOOK

In 2020, due to the outbreak of the novel coronavirus disease (COVID-19), there is a slowdown in the expansion of the catering industry with challenges and opportunities coexisting, which is expected to reshuffle the chain catering industry. Upholding the principle of "promoting stable operation and caring with love", Xiabuxiabu is determined to fulfilling its responsibility commitment to all stakeholders and the society.

As to "promoting stable operation", Xiabuxiabu will continue to promote product quality and innovative development while giving priority to customers' core interests. Upholding the business philosophy of "unremitting commitment, continuous improvement, innovative creativity", we are committed to pursuing excellence and providing high-quality food for the consumers. Meanwhile, in compliance with the operation suspension requirement by the local government of the places where our restaurants are located, we will adopt flexible approaches to cope with the operation restrictions due to the epidemic outbreak. On the one hand, we will develop multi-layer delivery channels and leverage on our advantage in diversified service modes to provide delivery service through "Xiabuxiabu Delivery" and "Xiazhuxiatang". On the other hand, we will launch additional quality hotpot dishes and other products and carry out marketing promotion via Wechat mini program, live stream platforms and social media, in an effort to reduce loss and waste, create new growth drivers, and meanwhile promote convenience service and provide support to the fight against the epidemic. After the epidemic, our offline restaurants will gradually resume normal operation and our business will be on track for growth.

As to "caring with love", Xiabuxiabu will continue to fulfill its corporate social responsibility. In terms of product responsibility, we place great emphasis on food safety and implement strict control on food quality, with an aim to continue to provide customers with safe products and boost consumer confidence. In terms of environmental protection responsibility, we will proactively fulfill our responsibility in respect of environmental protection by promoting green and sustainable consumption, facilitating low-carbon development of our own business operation, and advocating the low-carbon and green lifestyle to the consumers. On the employee responsibility front, we will adhere to the "people-oriented" principle, protect the basic rights and interests of the employees, prohibit any form of discrimination and promote diversity employment. We also care for the employees' health and safety, and strive to improve their sense of happiness. We will continue to promote employee development and training, so as to achieve mutual development of the Company and the employees. In addition, remaining true to our original aspiration of improving social well-being, we will proactively participate in charity activities. Leveraging on our own advantages, we will make contributions to the society by participating in the fight against the epidemic, local community services, charity donations, poverty alleviation and volunteers' activities, and deliver love and care to the communities where we operate business, so as to fulfil our social responsibility as a corporate citizen.



| No. | Description | Disclosure Status | Reference Sections in the Report |
|--------------|--|-------------------|--|
| A1 Emissions | General Disclosures Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and soil, generation of hazardous and non-hazardous wastes, etc. Note: Exhaust emissions include NOx, SOx and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations. | Disclosed | P31, P35-P36 |
| A1 Emissions | A1.1 Types of emissions and respective emission data. | Disclosed | P31-P32, P35 |
| A1 Emissions | A1.2 Greenhouse gas emissions in total (in tonnes) and, if appropriate, intensity (e.g. per unit of production volume, per facility). | Disclosed | P31 |
| A1 Emissions | A1.3 Hazardous wastes generated in total (in weight or volume) and, if appropriate, intensity (e.g. per unit of production volume, per facility and per regular employee). | Not applicable | _ |
| A1 Emissions | A1.4 Non-hazardous wastes generated in total (in weight or volume) and, if appropriate, intensity (e.g. per unit of production volume, per facility and per regular employee). | | P35 |
| A1 Emissions | A1.5 Description of measures taken to reduce emissions and results achieved. | Disclosed | P35-P36 |
| A1 Emissions | A1.6 Description of treatment of hazardous and non-hazardous wastes, reduction initiatives and results achieved. | Disclosed | P35-P36 |



| No. | Description | Disclosure Status | Reference Sections in the Report |
|---|---|-------------------|--|
| A2 Use of Resources | General Disclosure Policies on efficient use of resources, including energy, water and other raw materials. Note: Resources may be used for production, storage, transportation, buildings, electronic equipment, etc. | Disclosed | P31-P34 |
| A2 Use of Resources | A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | | P31 |
| A2 Use of Resources | Resources A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility). | | P31 |
| A2 Use of Resources | A2.3 Description of energy use efficiency initiatives and results achieved. | Disclosed | P31-P34 |
| A2 Use of Resources | A2.4 Description of whether there is any issue in sourcing water that is fit for the purpose and results achieved through implementation of water efficiency initiatives. | | P32-P34 |
| A2 Use of Resources | A2.5 Total packaging materials used for finished products (in tonnes) and, if appropriate, packaging materials used for per unit produced. | Disclosed | P33 |
| A3 Environment and Natural Resources | Policies on minimising the issuer's significant | | P36 |
| A3 Environment and Natural Resources | A3.1 Description of the significant impacts of business activities on the environment and natural resources and the actions taken to control such impacts. | Disclosed | P36 |



| No. | Description | Disclosure Status | Reference Sections in the Report |
|----------------------|---|---|--|
| B1 Employment | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Disclosed | P38, P40 |
| B1 Employment | B1.1 The total number of employees by gender, employment type, age group and geographical region. | Disclosed | P39 |
| B1 Employment | B1.2 The employee turnover rate by gender, age group and geographical region. | Planned to be disclosed in the future | - |
| B2 Health and Safety | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Disclosed | P41-P43 |
| B2 Health and Safety | B2.1 Number and rate of work-related fatalities. | Planned to be disclosed in the future | _ |
| B2 Health and Safety | B2.2 Lost days due to work injury. | Planned to be disclosed in the future | - |
| B2 Health and Safety | B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored. | Disclosed | P41-P43 |



| No. | Description | Disclosure Status | Reference Sections in the Report |
|--------------------------------|---|---|--|
| B3 Development and Training | General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external training programs paid by the employer. | Disclosed | P44-P47 |
| B3 Development and Training | B3.1 The percentage of employees receiving trainings by gender and employee category (e.g. senior management, middle management, etc.). | Planned to be disclosed in the future | - |
| B3 Development and Training | B3.2 The average training hours completed per employee by gender and employee category. | Disclosed | P45 |
| B4 Labour Standard | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing use of child labour or forced labour. | Disclosed | P38 |
| B4 Labour Standard | B4.1 Description of measures to review recruitment practices to avoid child labour and forced labour. | Disclosed | P38 |
| B4 Labour Standard | B4.2 Description of steps taken to eliminate such practices when discovered. | Disclosed | P38 |
| B5 Supply Chain Management | General Disclosure Policies on managing the environmental and social risks of the supply chain. | Disclosed | P22-P23 |
| B5 Supply Chain Management | B5.1 Number of suppliers by geographical region. | Planned to be disclosed in the future | _ |



| No. | Description | Disclosure Status | Reference Sections in the Report | |
|-------------------------------|---|---|--|--|
| B5 Supply Chain Management | B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, as well as how they are implemented and monitored. | Disclosed | P22-P23 | |
| B6 Product Responsibility | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters in relation to products and services provided and methods of redress. | Disclosed | P24-P29 | |
| B6 Product Responsibility | B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Not applicable | - | |
| B6 Product Responsibility | B6.2 Number of products and service related complaints received and how they are dealt with. | Partially disclosed | P28 | |
| B6 Product Responsibility | B6.3 Description of practices relating to observing and protecting intellectual property rights. | Planned to be disclosed in the future | - | |
| B6 Product Responsibility | B6.4 Description of quality assurance process and recall procedures. | Disclosed | P24 | |
| B6 Product Responsibility | B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored. | Disclosed | P29 | |
| B7 Anti-corruption | General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Disclosed | P17-P18 | |



| No. | Description | Disclosure Status | Reference Sections in the Report |
|-------------------------|--|-------------------|--|
| B7 Anti-corruption | B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Disclosed | P18 |
| B7 Anti-corruption | B7.2 Description of preventive measures and whistleblowing procedures, and the related implementation and supervision approaches. | Disclosed | P17-P18 |
| B8 Community Investment | General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities taking into consideration the communities' interests. | Disclosed | P48-P49 |
| B8 Community Investment | B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | Disclosed | P48-P49 |
| B8 Community Investment | B8.2 Resources contributed (e.g. money or time) to the focus area. | Disclosed | P48-P49 |



GRI STANDARDS INDEX

| No. | Description | Disclosure Status | Reference Sections in the Report |
|--------|--|-------------------|----------------------------------|
| 102-1 | Name of the organization | Disclosed | P14 |
| 102-2 | Activities, brands, products and services | Disclosed | P14 |
| 102-3 | Location of headquarters | Disclosed | P14 |
| 102-4 | Location of operations | Disclosed | P14 |
| 102-5 | Ownership and legal form | Disclosed | P14 |
| 102-6 | Markets served | Disclosed | P3, P14 |
| 102-7 | Scale of the organization | Disclosed | P3, P14 |
| 102-8 | Information on employees and other workers | Disclosed | P3-P4, P39 |
| 102-9 | Supply chain | Disclosed | P22-P23 |
| 102-10 | Significant changes to the organization and its supply chain | Disclosed | P9-P12 |
| 102-13 | Membership of associations | Disclosed | P15 |
| 102-14 | Statement from senior decision-maker | Disclosed | P3-P4 |
| 102-15 | Key impacts, risks and opportunities | Disclosed | P3-P4 |
| 102-16 | Values, principles, standards and norms of behaviour | Disclosed | P3-P4 |
| 102-20 | Executive-level responsibility for economic, environmental and social topics | Disclosed | P5-P8 |
| 102-21 | Consulting stakeholders on economic, environmental and social topics | Disclosed | P5-P8 |
| 102-29 | Identifying and managing economic, environmental, and social impacts | Disclosed | P8 |
| 102-30 | Effectiveness of risk management processes | Disclosed | P17 |
| 102-31 | Review of economic, environmental and social topics | Disclosed | P8 |
| 102-32 | Highest governance body's role in sustainability reporting | Disclosed | P5 |
| 102-40 | List of stakeholder groups | Disclosed | P6-P7 |
| 102-43 | Approach to stakeholder engagement | Disclosed | P6-P7 |
| 102-44 | Key topics and concerns raised | Disclosed | P8 |
| 102-46 | Defining report content and topic boundaries | Disclosed | Piii |
| 102-47 | List of material topics | Disclosed | P8 |
| 102-49 | Changes in reporting | Disclosed | Piii |
| 102-50 | Reporting period | Disclosed | Piii |



GRI STANDARDS INDEX

| No. | Description | Disclosure Status | Reference Sections in the Report |
|--------|--|---------------------|----------------------------------|
| 102-51 | Date of most recent report | Disclosed | Piii |
| 102-52 | Reporting cycle | Disclosed | Piii |
| 102-53 | Contact point for questions regarding the report | Disclosed | P59 |
| 102-55 | GRI content index | Disclosed | P57-P58 |
| 201-1 | Direct economic value generated and distributed | Disclosed | P18 |
| 205-2 | Communication and training about anti-corruption policies and procedures | Disclosed | P18 |
| 301-1 | Materials used by weight or volume | Disclosed | P33 |
| 302-1 | Energy consumption within the organization | Disclosed | P31 |
| 302-3 | Energy intensity | Disclosed | P31 |
| 302-4 | Reduction of energy consumption | Partially disclosed | P33-P34 |
| 302-5 | Reductions in energy requirements of products and services | Disclosed | P32-P34 |
| 305-1 | Direct (scope 1) GHG emissions | Disclosed | P31 |
| 305-2 | Energy indirect (scope 2) GHG emissions | Disclosed | P31 |
| 305-4 | GHG emissions intensity | Disclosed | P31 |
| 306-1 | Total water discharge by quality and destination | Disclosed | P31 |
| 306-2 | Total amount of waste by type and disposal method | Disclosed | P35 |
| 307-1 | Non-compliance with environmental laws and regulations | Disclosed | P31 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Disclosed | P40, P42-P43 |
| 401-3 | Parental leave | Disclosed | P40 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Disclosed | P44-P47 |
| 414-2 | Negative social impacts from the supply chain and actions taken | Disclosed | P22-P23 |
| 416-1 | Assessment of the health and safety impacts of product and service categories | Disclosed | P24-P25 |



2019 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

READER FEEDBACK FORM

Thank you for reading "2019 Report of Environmental, Social and Governance of Xiabuxiabu". In order to provide you and other stakeholders with more valuable information and improve the Company's ability to fulfil ESG, we sincerely welcome any opinions and suggestions you may offer on the report via:

| Mail to: | lail to: Room 1201, 12/F OfficePlus@Wan Chai, No. 303 Hennessy Road, Wanchai, Hong Kong | | | ng Kong | | | |
|-------------------------------|---|---|-------------------------------------|----------------------|--------------------|--|--|
| Telephone: | (852) 2952 | (852) 2952 3566 | | | | | |
| Email: | ail: Godfrey@xiabu.com | | | | | | |
| 1. Which of th | ne following | stakeholder types applies t | to you? | | | | |
| A Governmen F Supplier an | | B Regulatory Authority G Community | C Shareholder H Public and Media | D Customer | E Employee | | |
| 2. Do you thir | nk this repo | rt has fully satisfied your ex | pectations for the Com | pany? | | | |
| A Yes | B No, whic | h of your expectations do y | ou think is not reflected | d in this report? | | | |
| 3. Do you thir A Yes | | oany has met your expectat h of your expectations do y | | net well? | | | |
| 4. Do you thir A Excellent | nk the arran B Good | gement of content and layo C Average D Poor | out design of this report | provide easy rea | ding? | | |
| 5. What other | opinions ar | nd suggestions do you have | e on our fulfillment of sc | ocial responsibility | y and this report? | | |
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