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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)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

### FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2020	2019	Year-on-Year
	<i>RMB'000</i>	<i>RMB'000</i>	Change <sup>(1)</sup>
	(audited)	(audited)	%
Revenue	<b>5,455,246</b>	6,030,167	(9.5)
Segment results <sup>(1)</sup>	<b>217,427</b>	632,001	(65.6)
Profit before tax	<b>67,177</b>	503,193	(86.6)
Total profit for the year	<b>11,485</b>	290,638	(96.0)
Total profit for the year attributable to owners of the Company	<b>1,837</b>	288,100	(99.4)
Adjusted net profit <sup>(2)(3)</sup>	<b>130,561</b>	396,350	(67.1)

- (1) The measure used for reporting segment result is the adjusted segment profit (loss) before (i) certain gain from changes in fair value of financial assets at FVTPL; (ii) interest on bank borrowings; (iii) impairment loss and disposal loss on non-current assets; and (iv) impairment loss on other receivables.
- (2) Adjusted net profit is calculated by deducting expenses related to equity-settled share-based expenses from the Group's staff costs and the impact of implementation of International Financial Reporting Standard 16 "Lease" ("IFRS 16").
- (3) Adjusted net profit are unaudited non-GAAP items. To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group has presented this non-GAAP item as an additional measure to evaluate the financial performance of the Group by considering the impact of items that the Group believes are frequently used by analysts, investors and other interested parties in the evaluation of companies in the industry the Group operates and by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business.

The table below sets forth the restaurant level operating results for the year ended 31 December 2020.

	<b>Xiabuxiabu</b> <i>RMB'000</i>	<b>Coucou</b> <i>RMB'000</i>
Revenue from restaurant operations <sup>(4)</sup>	3,464,010	1,686,580
Restaurant level operating profit <sup>(5)</sup>	240,224	225,868

(4) As to the revenue from restaurant operations, please refer to Note 3 on Revenue in the section of FINANCIAL INFORMATION of this announcement.

(5) Restaurant level operating profit is calculated by deducting raw materials and consumables cost and restaurant level staff costs, restaurant level rental and property related expenses (non-IFRS 16), restaurant level depreciation and amortization (non-IFRS 16) and other restaurant level expenses from the Group's revenue generated from restaurants. Restaurant level operating profit is an unaudited non-generally accepted accounting principle ("GAAP") item.

## **PROPOSED FINAL DIVIDEND**

Proposed final dividend of RMB0.028 per share, amounting to approximately a total of RMB30.0 million for the year ended 31 December 2020.

The board of directors (the "**Board**") of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020.

## **BUSINESS REVIEW AND OUTLOOK**

### **Overview**

In 2020, the Group opened 91 Xiabuxiabu restaurants and 38 Coucou restaurants.

As of 31 December 2020, the Group owned and operated 1,061 Xiabuxiabu restaurants in 130 cities over 24 provinces and autonomous regions and in three centrally administered municipalities in China, namely Beijing, Tianjin and Shanghai.

The Group also owned and operated 140 Coucou restaurants in 30 cities over 18 provinces, in three centrally administered municipalities, namely Beijing, Tianjin, Shanghai and in Hong Kong.

The Group's revenue decreased by 9.5% from RMB6,030.2 million in 2019 to RMB5,455.2 million in 2020 and the Group's adjusted net profit decreased by 67.1% from RMB396.4 million in 2019 to RMB130.6 million in 2020. Such decreases were primarily due to the outbreak of COVID-19 (the "**Pandemic**"). Following the development of the Pandemic, the central government and local governments in China implemented control measures and restrictions on consumer establishments since January 2020, which greatly affected the Group's business. In order to comply with the governmental measures and to ensure the safety of its staff and customers, the Group gradually suspended a majority of its restaurant operations since 23 January 2020. As the outbreak has been generally contained and eased in most parts of China since March 2020, the Group started to gradually reopen many of these temporarily closed restaurants and the Group's business has been recovering at a fast pace.

### **Industry review**

In 2020, the growth of China's domestic economy slowed down amid the Pandemic, which led to the increasing uncertainty in the domestic and external environment. On the other hand, domestic structural readjustment, favorable government policies, transformation and upgrading continued to be the backbone to maintain the growth of the economy. China recorded a GDP growth of 2.3% in 2020, and the actual per capita disposable income of urban and rural areas grew by 2.1% in 2020. In addition, consumer price index rose by 2.5% in 2020. Service consumption has also accelerated together with consumer's growing demand for services with higher quality and efficiency. During 2020, the Pandemic also caused the consumers to change their spending behaviors to pay more attention to the cleanliness of dining environment, food safety and whether sufficient pandemic control measures have been implemented at the restaurants. In the meantime, consumers' awareness of the benefits of not sharing food and the new "clean plate" campaign will also likely change their consumption behavior in the future. The Group will continue to focus on these areas to safeguard the healthiness of its customers. In addition, the consumption scene is getting more diverse where take-out and home cook are becoming more popular. Although the Company believes dine-in is still the main stream, the Company has also prepared for the other possibilities. Therefore, while the Company is focused on its core business, the Company has also laid out plans and strategies to cover these diverse dining options, such as the launch of the fresh ingredient delivery, hotpot delivery and the strategical launch the afternoon tea sessions with tea and snacks.

## Overall Business and Financial Performance

### *The Group's restaurant network*

In 2020, the Group opened a total of 129 new restaurants, including 91 Xiabuxiabu restaurants and 38 Coucou restaurants. In addition, the Group closed a total of 52 Xiabuxiabu restaurants in 2020 due to various commercial reasons, including the impact of the Pandemic. In aggregate, the Group's restaurants in operation increased by 77 in 2020.

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

	As of 31 December			
	2020		2019	
	#	%	#	%
Tier 1 cities <sup>(1)</sup> . . . . .	376	35.4	375	36.7
Tier 2 cities <sup>(2)</sup> . . . . .	431	40.6	412	40.3
Tier 3 cities and below <sup>(3)</sup> . . . .	254	24.0	235	23.0
<b>Total</b> . . . . .	<b>1,061</b>	<b>100.0</b>	<b>1,022</b>	<b>100.0</b>

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Baoding, Changzhou, Dalian, Langfang, Nantong, Ningbo, Qingdao, Suzhou, Wuxi, Xuzhou and Yantai.

(3) All cities except for tier 1 cities and tier 2 cities mentioned in (1) and (2) above.

The table below sets forth the breakdown of the Group's system-wide Coucou restaurants by different tiers of cities as of the dates indicated:

	As of 31 December			
	2020		2019	
	#	%	#	%
Tier 1 cities <sup>(1)</sup> . . . . .	60	42.9	49	48.0
Tier 2 cities <sup>(2)</sup> . . . . .	75	53.6	49	48.0
Tier 3 cities <sup>(3)</sup> . . . . .	1	0.7	1	1.0
Outside mainland China <sup>(4)</sup> . . . . .	4	2.8	3	3.0
<b>Total</b> . . . . .	<b>140</b>	<b>100.0</b>	<b>102</b>	<b>100.0</b>

(1) Beijing, Shanghai, Guangzhou, Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Changzhou, Dalian, Dongguan, Foshan, Nantong, Ningbo, Xiamen, Suzhou, Wenzhou, Wuxi and Zhuhai.

(3) Yangzhou.

(4) Hong Kong SAR.

### **Key operational information for the Group's Xiabuxiabu restaurants**

Set forth below are certain key performance indicators of the Group's Xiabuxiabu restaurants for the periods indicated:

	For the year ended	
	31 December	
	2020	2019
<b>Net revenue (in RMB thousands)</b>		
Tier 1 cities . . . . .	1,523,957	2,254,831
Tier 2 cities . . . . .	1,222,284	1,598,464
Tier 3 cities and below . . . . .	713,717	817,583
<b>Total . . . . .</b>	<b>3,459,958</b>	<b>4,670,878</b>
<b>Average spending per customer (RMB)<sup>(1)</sup></b>		
Tier 1 cities . . . . .	65.2	57.6
Tier 2 cities . . . . .	60.3	54.1
Tier 3 cities and below . . . . .	60.1	54.9
<b>Total . . . . .</b>	<b>62.3</b>	<b>55.8</b>
<b>Seat turnover rate (X)<sup>(2)</sup></b>		
Tier 1 cities . . . . .	2.7	3.3
Tier 2 cities . . . . .	2.1	2.3
Tier 3 cities and below . . . . .	2.0	2.0
<b>Total . . . . .</b>	<b>2.3</b>	<b>2.6</b>

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

(2) Calculated by dividing total customer traffic by total restaurant operation days and average seat count of Xiabuxiabu restaurants during the year, for the counter part; calculated by dividing total customer traffic by total restaurant operation days and average table count of Xiabuxiabu restaurants during the year, for the table part.

In 2020, revenue contribution from Xiabuxiabu restaurants continued to be the main source of revenue of the Group, and contributed around 64.2% as a percentage of the Group's total revenue. Xiabuxiabu's business had been severely affected by the Pandemic, as historically a majority of its restaurants were located in Northern China, especially in Beijing, Tianjin and Hebei, which was significantly affected by the Pandemic. As the government implemented social distancing and restaurant suspension measures to contain

the Pandemic, there were fewer customer dinning out at restaurants. In the meantime, the Group fully utilized delivery channel to deliver fresh ingredients and hotpot to generate sales and took advantage of the influence of social media and e-commerce platforms to create a multi-channel platform for future development. After the Pandemic was generally contained in the second half of the year, sales started to gradually recover. The revenue from Xiabuxiabu restaurants decreased by 25.9% from RMB4,670.9 million in 2019 to RMB3,460.0 million in 2020. The seat turnover rate of Xiabuxiabu restaurants decreased from 2.6x in 2019 to 1.8x in the first six months of 2020, and increased to 2.3x in 2020. On the other hand, the average spending per customer increased from RMB55.8 in 2019 to RMB62.3 in 2020, primarily due to the Group's continuous effort to improve product mix, regularly roll out new products and increase in the sales of delivery and new products.

The table below sets forth same-store sales of Group's Xiabuxiabu restaurants for the years indicated:

	For the year ended 31 December			
	2020	2019	2019	2018
<b>Number of same-store (#)*</b>				
Tier 1 cities . . . . .	347		299	
Tier 2 cities . . . . .	374		391	
Tier 3 cities and below . . . . .	209		119	
<b>Total . . . . .</b>	<b>930</b>		<b>809</b>	
<b>Same-store sales (in RMB million)</b>				
Tier 1 cities . . . . .	1,255.9	1,750.0	1,976.6	2,007.7
Tier 2 cities . . . . .	908.5	1,156.7	1,066.5	1,082.8
Tier 3 cities and below . . . . .	494.0	587.3	533.0	534.9
<b>Total . . . . .</b>	<b>2,658.4</b>	<b>3,494.0</b>	<b>3,576.1</b>	<b>3,625.4</b>
<b>Same-store sales growth (%)</b>				
Tier 1 cities . . . . .	(28.2)		(1.5)	
Tier 2 cities . . . . .	(21.5)		(1.5)	
Tier 3 cities and below . . . . .	(15.9)		(0.4)	
<b>Total . . . . .</b>	<b>(23.9)</b>		<b>(1.4)</b>	

\* Including restaurants that commenced operations prior to the beginning of the periods under comparison and opened for the same number of days in both 2019 and 2020.

### ***Key operational information for the Group's Coucou restaurants***

Set forth below are certain key performance indicators of the Group's Coucou restaurants for the period indicated:

	<b>For the year ended 31 December</b>	
	<b>2020</b>	2019
<b>Net Revenue (in RMB thousands)</b>		
Tier 1 cities .....	<b>818,494</b>	676,796
Tier 2 cities .....	<b>795,940</b>	511,295
Tier 3 cities .....	<b>7,027</b>	1,260
Outside mainland China <sup>(3)</sup> .....	<b>66,342</b>	10,765
<b>Total</b> .....	<b><u>1,687,803</u></b>	<u>1,200,116</u>
<b>Average spending per customer (RMB)<sup>(1)</sup></b>		
Tier 1 cities .....	<b>128.8</b>	133.6
Tier 2 cities .....	<b>121.7</b>	127.8
Tier 3 cities .....	<b>107.6</b>	127.1
Outside mainland China <sup>(3)</sup> .....	<b>177.7</b>	221.9
<b>Total</b> .....	<b><u>126.6</u></b>	<u>131.5</u>
<b>Table turnover rate (X)<sup>(2)</sup></b>		
Tier 1 cities .....	<b>2.6</b>	3.1
Tier 2 cities .....	<b>2.4</b>	2.7
Tier 3 cities .....	<b>1.5</b>	3.2
Outside mainland China <sup>(3)</sup> .....	<b>2.4</b>	2.8
<b>Total</b> .....	<b><u>2.5</u></b>	<u>2.9</u>

(1) Calculated by dividing revenue generated from sales of Coucou restaurants for the year by total customer traffic of Coucou restaurants for the year.

(2) For the dine-in part, this is calculated by dividing total sales number by total restaurant operation days and average table count of Coucou restaurants during the year. For the delivery part, in consideration of the business model of Coucou, the Group modified the definition of table turnover rate in order to better present the delivery sales. By the modified definition, the delivery sales that equals to the average dine-in customer spending is regarded as one dine-in customer. In line with this definition, table turnover rate is 1.9x for the six months ended 30 June 2020 and 3.0x for the six months ended 30 June 2019.

(3) Hong Kong SAR.



In 2020, table turnover rate of Coucou restaurants decreased from 2.9x in 2019 to 2.5x in 2020, primarily due to the impact of the Pandemic. On the other hand, average spending per customer of Coucou restaurants decreased from RMB131.5 in 2019 to RMB126.6 in 2020. Such decrease was primarily driven by the increase of sales promotion during the epidemic.

The table below sets forth same-store sales of Group's Coucou restaurants for the years indicated:

	For the year ended 31 December			
	2020	2019	2019	2018
<b>Number of same-store (#)*</b>				
Tier 1 cities . . . . .	46		29	
Tier 2 cities . . . . .	46		18	
Outside mainland China . . . . .	1		—	
<b>Total. . . . .</b>	<b>93</b>		<b>47</b>	
<b>Same-store sales (in RMB million)</b>				
Tier 1 cities . . . . .	516.3	612.1	361.5	346.2
Tier 2 cities . . . . .	444.6	449.8	211.3	176.9
Outside mainland China . . . . .	3.0	3.5	—	—
<b>Total. . . . .</b>	<b>963.9</b>	<b>1,065.4</b>	<b>572.8</b>	<b>523.1</b>
<b>Same-store sales growth (%)</b>				
Tier 1 cities . . . . .	(15.7)		4.4	
Tier 2 cities . . . . .	(1.2)		19.5	
Outside mainland China . . . . .	(14.4)		—	
<b>Total. . . . .</b>	<b>(9.5)</b>		<b>9.5</b>	

\* Including restaurants that commenced operations prior to the beginning of the periods under comparison and opened for the same number of days in both 2019 and 2020.

## Outlook for 2021

### *Business Outlook*

In 2020, the Pandemic had affected the world. China had enforced strict Pandemic control and was the first to recover from the haze of the Pandemic. The Group expect the arrival of vaccination in 2021 and the effective response to the Pandemic and will reduce the impact of the Pandemic on its business in 2021 as compared to 2020. In the 14th Five-Year Plan, the Chinese government proposed a future domestic and international dual-circulation strategy, showing strong will to control housing prices to reduce the household debt, using domestic demand as the core driving force for driving consumption. The Group firmly believes that the Group's chain strategy will ensure the quality and safety of food. The future of catering industry will focus on the leaders of the industry. These industry leaders will continue to innovate and will shape the development of the catering industry. The diversified platforms of the Company will form a synergy effect and help the Group's overall business to bloom vigorously.

Going into 2021, the Group will continue to implement the following strategies:

#### *Expansion strategy*

In order to maintain market share in this competitive market, the Group must maintain its pace of expansion, at the same time overcome the problem of focusing on opening numbers in the past, resulting in problem afterwards by ensuring that it opens quality new restaurants. The Group started to adjust its expansion plans in 2019, and set forth a higher standard when choosing new opening locations, using big data and optimize the incentive system to motivate its development team. In 2021, the Group will continue to implement the same strategy, and focus more on rental negotiations and use big data to help evaluate the new locations to enhance the efficiencies of these new openings. At the same time, the Group plans to continue to increase the sales per unit area and shorten the investment payback period of these restaurants. After certain adjustments, Xiabuxiabu had reestablished the core competitiveness of its brand, historically Xiabuxiabu restaurants are primarily located in the North, resulting in an unbalanced operational layout, in 2021 will focus openings in Eastern and Southern part of China, and have fully pinned down the commercial real estate deployment plan. In the next three years, Eastern China and Southern China will be the core areas for Xiabuxiabu's future expansion, including the output of the operating personnel to support the aggressive development in these regions. Coucou which has built a name on the foundations from the tier 1 cities, will use its branding power to penetrate into tier 2 and 3 cities.

#### *Branding strategy*

The Group has redesigned its branding strategy to focus on certain target customer base, focusing on the Millennials and Generation Z who are the major groups of consumers nowadays. The Group strives to understand their preferences and spending habits in order to deploy appropriate and effective branding, marketing and promotional strategies to

attractive these target customers. Redesign Xiabuxiabu's logo represent a more upscale, fashionable and comfortable image to connect the brand with the younger customers. In the past, Xiabuxiabu restaurants had been focused on bringing the best products to customers, and relied more on word-of-mouth marketing to promote the Xiabuxiabu brand. As time changes, consumers started to value brand image and marketing of restaurants, and the Group sees the need to put more efforts into promotion of the Xiabuxiabu brand. The Group plans to utilize both online and offline channels to enhance Xiabuxiabu's exposures through marketing on WeChat, TikTok and collaboration with key opinion leaders ("KOLs"). The Group will continue to reinvigorate the Xiabuxiabu brand to increase customer loyalty and to live up to the motto of "great taste, good fun and good look". The Group confidence that this will be a successful campaign to get the new brand image thru to its customers.

In 2021, Coucou will continue to strengthen its brand power and target the "new middle class". It also plans to design menu items and create pricing and promotional strategies based on the consumption habits and dietary preferences of consumers in different cities to create successful marketing and promotional campaign, and in turn building a stronger brand image and reputation.

#### *Product strategy*

The Group will continue to take advantage of its strong supply chain network in different regions, adding in products of different price range, to offer products that can satisfy various needs of consumers, especially consumers of the younger generation. With a total of over 1,000 Xiabuxiabu and Coucou restaurants, the Group is expected to continue to benefit from the economies of scale of its nationwide restaurant network. In 2021, the Group plans to introduce more set meals to target consumers of younger generation. The Group will also continue offering its "niche products" and "core products", such as beef and lamb. The Group will strengthen the upstream supply chain and its ability to continue offering premium products, such as the Ximeng lamb, which has become the unique signature product of Xiabuxiabu. In addition, the Group will continue to launch "supplementary products" to expand its product offerings to appeal to consumers of young generation. For example, Xiabuxiabu launched a hotpot base with rattan pepper fish flavor and shrimp cheese ball in 2020. Xiabuxiabu restaurants also rolled out "seasonal products", such as fish and shrimp products to satisfy the different needs of its customers. The Group also plans to offer products of different price range in different regions. Through continuous improvement of its product mix, the Group expects to increase its gross profit. The Group will continue to introduce "star products", such as cheese shrimp paste, to refresh customers' dining experience and increase their desire to spend at the restaurants. The Group will also continue to provide diversified menu offerings and focus on maintaining the vitality of the brand as well as ensuring the quality of food and cost efficiency. In addition, the Group will also take steps to further develop delivery products to ensure better synergy with dine-in business. The new popular soup base with meat launched by Coucou, such as fish maw chicken soup, Taiwanese spicy soup and pork belly chicken soup have become

signature products of Coucou and were very well received by customers. Going forward, the Group will continue to combine different dietary preferences of different regions and local dining culture of lower tier cities to develop nutritious signature products that are healthy, aesthetically pleasing and delicious. Last but not least, the Group plans to strengthen its supply chain to ensure the quality and competitiveness of its products.

#### *Xiabuxiabu New model strategy*

While the Group is focusing on attracting people of younger generation, it went further to explore the core competitiveness and value of promoting individual pots. The Group believes individual pot is more than dining alone, it is a form of self-expression and a statement self-identity. Customers can enjoy their favorite soup base while sharing the ingredients with others in a gathering, which is highly in line with the current popular culture of respecting people's individuality.

In order to convey such message, the Group has launched the new "Light Pot" model in its restaurants in the second half of 2020. This model features a simple, individualistic model with young and modern elements. With the new design of staff uniform, utensils and table settings, customers will enjoy a more coherent and elevated dining experience. The Group has also started to provide appetizers before the main course to offer customers a more well-rounded dining experience.

The Group understands that good ambience is critical to creating a pleasant dining experience and is in the process of testing different design models. For example, the Group introduced all-day dining concept to one of its new restaurants in Beijing by adjusting the lighting at the restaurant throughout different times of the day to enhance customers' dining experience. The Group expects such new approach will attract different groups of customers to come to its restaurants during different times of the days, and will ultimately extend its restaurant operating hours and increase its operational efficiency.

In addition to upgrading the hardware of the restaurants, the Group has also started to optimize its restaurant menus and introduced more set meals. Xiabuxiabu has long been known for providing premium quality ingredients to customers. In 2020, the Group provides more new set meals throughout the day, giving customers a better selection and better sense of value, allowing customers to enjoy the tasty set meals with premium ingredients. Such strategy enabled the Group to increase the operational efficiency of its restaurant kitchens and reduce customers' waiting time, and in turn increase the seat turnover rate. In the meantime, the Group continues to improve its membership program. As a result of the Group's effort, its members increased by approximately 30% from 9 million in 2019 to over 12 million in 2020. The Group has also encouraged customers to top up to enjoy the benefits of being a member. In 2020, the total top up value increased by 70% as compared to 2019. The Group believes that the value-for-money pricing of its set meals combined with its membership program will continue to improve customer loyalty.

### *Talent development strategy*

Stable supply of talented restaurant staff is key to support the Group's restaurants operations and continuous expansion. Therefore, in addition to using training and competitive mechanism to ensure stable of talents, the Group also continues to evaluate all the members of the restaurant staff regularly. These assessments not only include past performance, but also involves external interviews by third parties. In addition, the Group also adopts the mentorship program where the experienced operations directors help to train up the new recruits to develop their operational mentality and flexibility. The Group believes that the above mentioned measures along with the new incentive and reward mechanism will help to uplift the staff morale, thereby ensure stable supply of talents throughout its expansion process. The Group will also continue to refine the incentive mechanism to improve the retention and competitiveness of its core team members.

### *Digitalization strategy*

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

### *Marketing strategy*

The Group will continue to enhance its brand image by launching a series of online and offline marketing campaigns to enhance its brand awareness. The Group's customer relationship management focuses on marketing activities to further enhance customer loyalty. The Group also plans to mobilize its huge customer traffic, and to take advantage of its large customer base and work with well-known brands to launch joint promotion programs. In 2020, the Group launched a “Top Up” promotion to promote customer loyalty, and promote repeat spending by members to generate more turnover.

### *Retail strategy*

The Group launched condiment products under the Xiabuxiabu brand in 2016. In recent years, consumers in China are placing increasing emphasis on food safety, quality, healthiness, flavor and tastes of high-end sauce and condiments products. In view of the strong potential market opportunity for these condiment products, the Company, through the establishment of its non-wholly owned subsidiary, Xiabuxiabu (China) Food Co. Ltd. (呷哺呷哺（中國）食品有限公司), is venturing into the condiment product business, which supplements and complements the Group's principal catering service business and will further strengthen the brand of the Group. Sales of condiments business increased by 65.0% from RMB89.6 million in 2019 to RMB147.8 million in 2020, as the Group continued to expand sales channels and launch new products.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's consolidated statement of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from 2019 to 2020:

	Year ended 31 December				Year-on-year change
	2020		2019		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>					
Revenue . . . . .	5,455,246	100.0	6,030,167	100.0	(9.5)
Other income . . . . .	170,732	3.1	53,558	0.9	218.8
Raw materials and consumables used . . . . .	(2,130,169)	(39.0)	(2,225,055)	(36.9)	(4.3)
Staff costs . . . . .	(1,478,146)	(27.1)	(1,544,349)	(25.6)	(4.3)
Property rentals and related expenses . . . . .	(219,593)	(4.0)	(253,818)	(4.2)	(13.5)
Utilities expenses . . . . .	(190,277)	(3.5)	(212,193)	(3.5)	(10.3)
Depreciation and amortization . . . . .	(1,006,161)	(18.4)	(839,386)	(13.9)	19.9
Other expenses . . . . .	(382,490)	(7.0)	(405,367)	(6.7)	(5.6)
Other gains and losses . . . . .	(53,655)	(1.0)	(5,519)	(0.1)	872.2
Finance costs . . . . .	(98,310)	(1.8)	(94,845)	(1.6)	3.7
<b>Profit before tax . . . . .</b>	<b>67,177</b>	<b>1.2</b>	503,193	8.3	(86.6)
Income tax expense . . . . .	(55,692)	(1.0)	(212,555)	(3.5)	(73.8)
<b>Profit for the year . . . . .</b>	<b>11,485</b>	<b>0.2</b>	290,638	4.8	(96.0)
<b>Total comprehensive income for the year . . . . .</b>	<b>11,485</b>	<b>0.2</b>	290,638	4.8	(96.0)
<b>Profit for the year attributable to:</b>					
Owners of the Company . . . . .	1,837	0.0	288,100	4.8	(99.4)
Non-controlling interest . . . . .	9,648	0.2	2,538	(0.0)	280.1
	<b>11,485</b>	<b>0.2</b>	290,638	4.8	(96.0)
<b>Total comprehensive income attributable to:</b>					
Owners of the Company . . . . .	1,837	0.0	288,100	4.8	(99.4)
Non-controlling interest . . . . .	9,648	0.2	2,538	(0.0)	280.1
	<b>11,485</b>	<b>0.2</b>	290,638	4.8	(96.0)
<b>Earnings per share</b>					
– basic (RMB cents) . . . . .	0.17		27.02		
– diluted (RMB cents) . . . . .	0.17		26.78		



## ***Revenue***

The Group's revenue decreased by 9.5% from RMB6,030.2 million in 2019 to RMB5,455.2 million in 2020, of which Xiabuxiabu's revenue decreased by 25.9% from RMB4,727.0 million in 2019 to RMB3,501.5 million in 2020. The revenue generated by Coucou increased from RMB1,204.3 million in 2019 to RMB1,689.1 million in 2020. Condiments sales increased from RMB89.6 million in 2019 to RMB147.8 million in 2020. Restaurant sales had been affected by the Pandemic. Central government and various local governments implemented Pandemic control measures and crowd control in consumer establishments starting in January 2020. As a result the Group's business had been substantially impacted, especially Xiabuxiabu as over 40% of its operations are located in severely affected areas such as Hebei province, Beijing and Northeastern areas. As the Pandemic eased in the second half of 2020, Xiabuxiabu's restaurants recovered quickly and demonstrated a strong rebound.

## ***Other income***

The Group's other income increased by 218.8% from RMB53.6 million in 2019 to RMB170.7 million in 2020, primarily due to (i) value-added tax exemption related to the Pandemic; (ii) increase in the government subsidy the Group received from the local government to compensate for the Group's local business being impacted by the Pandemic; and (iii) increase in income from delivery business. There were no unfulfilled conditions in the year in which they were recognized.

## ***Raw materials and consumables used***

The Group's raw materials and consumables decreased by 4.3% from RMB2,225.1 million in 2019 to RMB2,130.2 million in 2020 as there were a number of restaurants in the Group's network was affected due to restaurant operations being temporarily suspended due to the Pandemic. As a percentage of the Group's revenue, the Group's raw materials and consumables increased from 36.9% in 2019 to 39.0% in 2020 as the Group strategically consumed some of the ingredients that was stockpiled prior to the Pandemic and also due to the import restriction that caused the price of import meat to increase during the Pandemic.

## ***Staff costs***

The Group's staff costs decreased by 4.3% from RMB1,544.3 million in 2019 to RMB1,478.1 million in 2020, the number of the Group's employees remain steady at 31,373 as of 31 December 2019 and 31,371 as of 31 December 2020. As a percentage of the Group's revenue, the Group's staff costs increased from 25.6% in 2019 to 27.1% in 2020, primarily due to temporary closure of restaurants in several cities being locked down due to Pandemic. Although the Group had adapted the employee sharing working model with other companies, the decrease in sales resulted in higher staff cost as a percentage to sales than last year.

### ***Property rentals and related expenses***

The Group's property rentals and related expenses decreased by 13.5% from RMB253.8 million in 2019 to RMB219.6 million in 2020, mainly attributable to (i) its efforts in proactively negotiating with landlords to maximize the rent-free periods; and (ii) turnover rental decrease as a result of lower sales turnover. As a percentage of the Group's revenue, the Group's property rentals and related expenses decreased from 4.2% in 2019 to 4.0% in 2020.

### ***Utilities expenses***

The Group's utilities expenses decreased by 10.3% from RMB212.2 million in 2019 to RMB190.3 million in 2020 as the scale of the Group's operation had been affected by Pandemic. As a percentage of the Group's revenue, utilities expenses remained stable at 3.5% in 2020 as compared with 3.5% in 2019.

### ***Depreciation and amortization***

The Group's depreciation and amortization increased by 19.9% from RMB839.4 million in 2019 to RMB1,006.2 million in 2020, primarily as a result of business expansion which led to the opening of more new restaurants in 2020. Due to the Pandemic, sales decreased and as a result pushing up the depreciation and amortization as a percentage to revenue.

### ***Other expenses***

The Group's other expenses decreased by 5.6% from RMB405.4 million in 2019 to RMB382.5 million in 2020. As a percentage of the Group's revenue, the Group's other expenses increased from 6.7% in 2019 to 7.0% in 2020, such increase was primarily due to (i) an increase in advertising and other marketing expenses; and (ii) an increase in delivery expenses due to the expansion of delivery business during the Pandemic.

### ***Other gains and losses***

The Group recorded other losses of RMB53.7 million in 2020, as compared to other losses of RMB5.5 million in 2019. Such increase was primarily due to increases in impairment loss on non-current assets and other receivables.

### ***Finance costs***

The Group recorded finance costs of RMB98.3 million in 2020, primarily due to the interest expense recognized as a result of the implementation of IFRS 16.



***Profit before tax***

As a result of the foregoing, the Group's profit before tax decreased by 86.6% from RMB503.2 million in 2019 to RMB67.2 million in 2020, and as a percentage of the Group's revenue, the Group's profit before tax decreased from 8.3% in 2019 to 1.2% in 2020.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB12.9 million (2019: RMB11.0 million), the Group's profit before tax would have decreased by 84.4% from RMB514.2 million in 2019 to RMB80.1 million in 2020, and decreased from 8.5% in 2019 to 1.5% in 2020 as a percentage of the Group's revenue.

***Income tax expense***

The Group's income tax expenses decreased by 73.8% from RMB212.6 million in 2019 to RMB55.7 million in 2020, primarily as a result of the decrease in the Group's taxable income.

***Profit for the year***

As a result of the cumulative effect of the above factors, the Group's profit for the year attribute to owners of the Company decreased by 99.4% from RMB288.1 million in 2019 to RMB1.8 million in 2020.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB12.9 million and as a result of the change in IFRS 16 which led to a decrease in profit of RMB115.8 million in 2020, the Group's profit for the year attributable to owners of the Company would have decreased by 67.1% from RMB396.4 million in 2019 to RMB130.6 million in 2020, and decreased from 6.6% in 2019 to 2.4% in 2020 as a percentage of the Group's revenue. For further details, please refer to the section headed "Non-IFRS Measure — Adjusted net profit" below.

## ***Non-IFRS Measure***

### ***Adjusted net profit***

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<i>(In RMB thousands)</i>	
Total profit for the year attributable to owners of the Company.....	<b>1,837</b>	288,100
Equity-settled share-based expenses .....	<b>12,884</b>	10,980
Impact of implementation of IFRS 16 .....	<b>115,840</b>	97,270
Adjusted net profit <sup>(1)</sup> .....	<b><u>130,561</u></b>	<b><u>396,350</u></b>

- (1) Adjusted net profit is an unaudited non-GAAP item. The Group uses such unaudited non-IFRS adjusted net profit as an additional financial measure to supplement the consolidated financial statements which are presented in accordance with IFRS and to evaluate the financial performance of the Group by eliminating the impact of certain items that the Group does not consider indicative of the performance of the business of the Group. Other companies in the industry the Group operates in may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under IFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by these items.

### ***Liquidity and capital resources***

In 2020, the Group financed its operations primarily through cash from the Group's operations and bank borrowings. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth.

### ***Cash and cash equivalents***

As of 31 December 2020, the Group had cash and cash equivalents of RMB1,097.3 million as compared with RMB785.2 million as of 31 December 2019, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi (as to 76.2%), U.S. dollars (as to 19.5%), Hong Kong dollars (as to 3.9%), and Singapore dollars (as to 0.4%).

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

Net proceeds from the Company's initial public offering (the "**Global Offering**") (including the partial exercise of the over-allotment option on 9 January 2015), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering which the Company received amounted to an aggregate of approximately HK\$1,043.5 million, comprising HK\$1,001.5 million raised from the Global Offering and HK\$42.0 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option. Up to 31 December 2020, the Company had fully utilized the net proceeds from the Global Offering, (i) HK\$953.5 million of which had been utilized to open new and renovate old restaurants; (ii) HK\$60.9 million of which had been utilized to purchase the land use rights of two parcels of land in Beijing and Tianjin. These two properties are used for the construction of the second central kitchen of the Group and a logistics center to support the future growth of the Group's operations; and (iii) HK\$29.1 million of which had been utilized to provide for the Group's working capital and other general corporate purposes.

### ***Financial assets at fair value through profit or loss (“FVTPL”)***

As of 31 December 2020, the Group had financial assets at FVTPL amounted to RMB36.3 million in aggregate (31 December 2019: RMB71.3 million), which mainly represented derivative financial instruments. In August 2019, the Group acquired Xilin Gol League Yishun Halal Meat Co., Ltd. (“**Yishun**”), a lamb processing company, from two non-related individual third parties (the “**Sellers**”) at a cash consideration of RMB96.1 million and assumed Yishun’s liability of RMB19.0 million.

In addition, the Group and the Sellers separately entered into an arrangement by which the Sellers will deposit RMB60.0 million into an investment trust (the “**Investment Trust**”) that is valid for three years, and instruct the trustee of the Investment Trust (the “**Trustee**”), without the Company’s involvement, to purchase the Company’s shares in the open market. Up to November 2019, the Trustee has used all the RMB60.0 million to purchase the Company’s shares. The Trustee is prohibited to make any further purchase of the Company’s shares once the Trustee sells any shares of the Company. Separately, the Company agreed to guarantee the Sellers an annual return of RMB2.4 million and compensate the Seller if the value of the Company’s shares held by the Investment Trust is worth less than RMB60.0 million when the Investment Trust expires. The arrangement with the Sellers constitute a derivative which is based on the share price of the Company, and the fair value of the derivative as at 31 December 2020 was RMB36.3 million, which represented a gain and was recorded as a financial asset measured at FVTPL.

The Group believes such strategic acquisition enables the Group to further its farm-to-table initiatives and tighten its grip on the quality of lamb, a major ingredient for the Group and better control its cost.

The Group purchased additional short-term investment products with an aggregate principal amount of RMB570.0 million from 1 January 2021 up to the date of this announcement which remained outstanding as at the date of this announcement. None of these subscriptions, individually or collectively when aggregation is required constitute a disclosable transaction under Chapter 14 of the Listing Rules.

### ***Indebtedness***

As of 31 December 2020, the Group had short term bank borrowings of RMB20.0 million that were made in Renminbi at a fixed interest rate of 3.15% and are expected to mature within 1 year.

### ***Gearing ratio***

As of 31 December 2020, the Group’s gearing ratio was 0.9%. Gearing ratio was calculated by dividing bank and other borrowings by total equity as of the same date and multiply by 100%.

### ***Capital expenditures***

The Group made payment for the capital expenditures of RMB404.6 million in 2020 for new restaurant opening, refurbishment of existing restaurants and purchase of new equipment. In 2019, the Group's capital expenditures was RMB727.0 million. The Group's capital expenditure in 2020 was funded primarily by net proceeds from Global Offering and cash generated from its operation. In 2020, the Group opened a total of 129 new restaurants. As of 31 December 2020, the Company did not have any charge over its assets.

### ***Contingent liabilities and guarantees***

As of 31 December 2020, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group. During the year ended 31 December 2020, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses in accordance with the Listing Rules. However, the Group will continue to identify new opportunities for business development.

### ***Employee and staff costs***

As of 31 December 2020, the Group had a total of 31,371 employees. In particular, 400 employees worked at the Group's food processing facilities, 3,249 were responsible for restaurant management, 26,551 were restaurant staff and 1,171 were administrative staff.

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

For the year ended 31 December 2020, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB1,478.1 million, representing approximately 27.1% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 3,061,064 shares (representing approximately 0.28% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as of 31 December 2020. The Company has also adopted the RSU Scheme which became effective upon the date of listing of the Company (the "**Listing Date**"). Computershare Hong Kong Trustees Limited has been appointed as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme (the "**RSU Trustee**"). During the year ended 31 December 2020, the Company has not buy back any shares from the market. The shares are held on trust

for the benefit of the participants of the RSU Scheme (the “**RSU Participants**”) pursuant to the rules of the RSU Scheme and the trust deed entered into between the Company and the RSU Trustee. Such shares will be used as awards for relevant RSU Participants upon the grant and vesting of restricted share units (“**RSUs**”). As of 31 December 2020, RSUs in respect of an aggregate of 8,741,544 shares (representing approximately 0.81% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the RSU Scheme remained outstanding. Further details of the Pre-IPO Share Incentive Plan and the RSU Scheme, together with, among others, the details of the options granted under the Pre-IPO Share Incentive Plan and the RSUs granted under the RSU Scheme, will be set out in the section headed “Directors’ Report” in the annual report.

### **Final Dividend**

The Board recommends the payment of a final dividend of RMB0.028 per share, amounting to approximately a total of RMB30.0 million for the year ended 31 December 2020 (the “**2020 Final Dividend**”). The 2020 Final Dividend is intended to be paid out of the Company’s share premium account and is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting (the “**AGM**”).

## FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended 31 December 2020 are as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

		For the year ended 31 December	
	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	5,455,246	6,030,167
Other income		170,732	53,558
Raw materials and consumables used		(2,130,169)	(2,225,055)
Staff costs		(1,478,146)	(1,544,349)
Property rentals and related expenses		(219,593)	(253,818)
Utilities expenses		(190,277)	(212,193)
Depreciation and amortization		(1,006,161)	(839,386)
Other expenses		(382,490)	(405,367)
Other gains and losses	5	(53,655)	(5,519)
Finance costs	6	(98,310)	(94,845)
<b>Profit before tax</b>	7	<b>67,177</b>	<b>503,193</b>
Income tax expense	8	(55,692)	(212,555)
<b>Profit for the year</b>		<b>11,485</b>	<b>290,638</b>
<b>Total comprehensive income for the year</b>		<b>11,485</b>	<b>290,638</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		1,837	288,100
Non-controlling interest		9,648	2,538
		<b>11,485</b>	<b>290,638</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		1,837	288,100
Non-controlling interest		9,648	2,538
		<b>11,485</b>	<b>290,638</b>
<b>Earnings per share</b>			
— basic (RMB cents)	9	<b>0.17</b>	<b>27.02</b>
— diluted (RMB cents)	9	<b>0.17</b>	<b>26.78</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

		<b>As at 31 December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,296,622</b>	1,313,377
Right-of-use assets	<i>11</i>	<b>1,971,529</b>	2,076,016
Intangible assets		<b>1,977</b>	3,482
Deferred tax assets		<b>86,203</b>	79,192
Rental deposits		<b>169,741</b>	147,183
Financial assets at fair value through profit or loss ("FVTPL")	<i>14</i>	<b>36,315</b>	—
		<b>3,562,387</b>	3,619,250
<b>Current assets</b>			
Inventories		<b>690,921</b>	711,773
Loan receivable	<i>12</i>	—	60,000
Trade and other receivables and prepayments	<i>13</i>	<b>391,715</b>	378,375
Financial assets at FVTPL	<i>14</i>	—	71,296
Restricted bank balances		<b>37,609</b>	—
Bank balances and cash		<b>1,097,324</b>	785,192
		<b>2,217,569</b>	2,006,636
<b>Current liabilities</b>			
Trade payables	<i>15</i>	<b>341,225</b>	350,075
Accrual and other payables		<b>703,529</b>	655,510
Lease liabilities	<i>16</i>	<b>564,756</b>	464,490
Income tax payables		<b>45,628</b>	96,066
Contract liability		<b>301,701</b>	146,017
Deferred income		<b>1,966</b>	1,595
Borrowing		<b>20,000</b>	—
		<b>1,978,805</b>	1,713,753
<b>Net current assets</b>		<b>238,764</b>	292,883
<b>Total assets less current liabilities</b>		<b>3,801,151</b>	3,912,133



		<b>As at 31 December</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Non-current liability</b>			
Deferred income		<b>26,162</b>	10,097
Lease liabilities	16	<b>1,400,285</b>	1,513,972
Provisions		<b>34,536</b>	—
Financial liability at FVTPL		<b>—</b>	1,224
		<b><u>1,460,983</u></b>	<b><u>1,525,293</u></b>
<b>Net assets</b>		<b><u>2,340,168</u></b>	<b><u>2,386,840</u></b>
<b>Capital and reserves</b>			
Share capital	17	<b>175</b>	174
Share premium and reserves		<b><u>2,318,705</u></b>	<b><u>2,375,271</u></b>
Equity attributable to owners of the Company		<b>2,318,880</b>	2,375,445
Non-controlling interest		<b><u>21,288</u></b>	<b><u>11,395</u></b>
<b>Total equity</b>		<b><u>2,340,168</u></b>	<b><u>2,386,840</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 1. GENERAL INFORMATION

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

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

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

### 2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

#### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions*.

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## 2.1 Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has benefited from 1 to 12 months waiver of lease payments on several leases in restaurants. The Group has derecognized the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB60,727,000, which has been recognized as variable lease payments in profit or loss for the current year.

### *New and amendments to IFRSs in issue but not yet effective*

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

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRSs Standards	Annual Improvements to IFRSs 2018–2020 <sup>2</sup>

1. Effective for annual periods beginning on or after 1 January 2023.
2. Effective for annual periods beginning on or after 1 January 2022.
3. Effective for annual periods beginning on or after a date to be determined.
4. Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company (the “**Directors**”) anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE

#### (i) Disaggregation of revenue from contracts with customers

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

For the year ended 31 December 2020				
	Xiabuxiabu RMB’000	Coucou RMB’000	Others RMB’000	Total RMB’000
<b>Type of goods or service</b>				
Restaurant operations	3,464,010	1,686,580	—	5,150,590
Sales of the condiment products	—	—	147,843	147,843
Sales of other goods	37,505	2,475	116,833	156,813
Total	<u>3,501,515</u>	<u>1,689,055</u>	<u>264,676</u>	<u>5,455,246</u>
<b>Geographical markets</b>				
Mainland China	3,501,515	1,623,904	264,676	5,390,095
Hong Kong	—	65,151	—	65,151
Total	<u>3,501,515</u>	<u>1,689,055</u>	<u>264,676</u>	<u>5,455,246</u>
For the year ended 31 December 2019				
	Xiabuxiabu RMB’000	Coucou RMB’000	Others RMB’000	Total RMB’000
<b>Type of goods or service</b>				
Restaurant operations	4,667,158	1,199,492	—	5,866,650
Sales of the condiment products	22,348	—	67,299	89,647
Sales of other goods	37,444	4,848	31,578	73,870
Total	<u>4,726,950</u>	<u>1,204,340</u>	<u>98,877</u>	<u>6,030,167</u>
<b>Geographical markets</b>				
Mainland China	4,726,950	1,192,668	98,877	6,018,495
Hong Kong	—	11,672	—	11,672
Total	<u>4,726,950</u>	<u>1,204,340</u>	<u>98,877</u>	<u>6,030,167</u>

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

**(ii) Transaction price allocated to the remaining performance obligation for contracts with Customers**

The transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31 December 2020 and the expected timing of recognizing revenue are as follow:

	<b>Customer loyalty scheme RMB'000</b>	<b>Prepaid cards RMB'000</b>	<b>Advance from customer RMB'000</b>
Within one year	<b>14,232</b>	<b>282,714</b>	<b>2,299</b>
More than one year but not more than two years	<u><b>2,456</b></u>	<u>—</u>	<u>—</u>
Total	<u><b>16,688</b></u>	<u><b>282,714</b></u>	<u><b>2,299</b></u>

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

	<b>Customer loyalty scheme RMB'000</b>	<b>Prepaid cards RMB'000</b>	<b>Advance from customer RMB'000</b>
Within one year	13,123	128,278	1,465
More than one year but not more than two years	<u>3,151</u>	<u>—</u>	<u>—</u>
Total	<u><b>16,274</b></u>	<u><b>128,278</b></u>	<u><b>1,465</b></u>

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

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

#### 4. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

In the current year, the Group reorganized its internal reporting structure which resulted in changes to the composition of its reportable segments. With the development of the Group’s business, each brand of “Xiabuxiabu” and “Coucou” is considered as a separate operating segment for the purposes of resource allocation and assessment of segment performance by the CODM. Prior year segment disclosures have been represented to conform with the current year’s presentation.

Specifically, the Group’s reportable segments under IFRS 8 are as follows:

- Xiabuxiabu: restaurant operation and related service under brand name of “Xiabuxiabu”.
- Coucou: restaurant operation and related service under brand name of “Coucou”.

In addition to the above reportable segments, other operating segments include operation of the condiment products and other goods that were not sold out by Xiabuxiabu restaurants or Coucou restaurants. None of these segments met the quantitative thresholds for the reportable segments in both current and prior year. Accordingly, these were grouped in “Others”.

## Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

### For the year ended 31 December 2020

	Xiabuxiabu RMB'000	Coucou RMB'000	Total reportable segments RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE						
External sales	3,501,515	1,689,055	5,190,570	264,676	—	5,455,246
Inter-segment sales	—	—	—	287,359	(287,359)	—
	<u>3,501,515</u>	<u>1,689,055</u>	<u>5,190,570</u>	<u>552,035</u>	<u>(287,359)</u>	<u>5,455,246</u>
Segment results (Note)	<u>60,396</u>	<u>114,824</u>	<u>175,220</u>	<u>42,207</u>	<u>—</u>	<u>217,427</u>
Impairment losses on property, plant and equipment	(37,117)	—	(37,117)	—	—	(37,117)
Impairment losses on right-of-use assets	(45,528)	—	(45,528)	—	—	(45,528)
Impairment losses on other receivables	—	—	—	(16,881)	—	(16,881)
Gain from changes in fair value of financial assets at FVTPL	25,474	—	25,474	—	—	25,474
Loss on disposal of property, plant and equipment, net	(1,172)	—	(1,172)	—	—	(1,172)
Interest on bank borrowings	(3,186)	(368)	(3,554)	(473)	—	(4,027)
Segment profit (loss)	<u>(1,133)</u>	<u>114,456</u>	<u>113,323</u>	<u>24,853</u>	<u>—</u>	<u>138,176</u>
Unallocated gain from changes in fair value of financial assets at FVTPL						34,895
Unallocated central administration costs						(93,098)
Unallocated directors' emoluments						(12,796)
Profit before tax						<u>67,177</u>

### Other segment information

Amounts included in the measure of segment results:

	Xiabuxiabu RMB'000	Coucou RMB'000	Total reportable segments RMB'000	Others RMB'000	Unallocated costs RMB'000	Consolidated RMB'000
Depreciation and amortization	724,508	259,310	983,818	18,919	3,424	1,006,161
Gain on termination of lease	(9,997)	(1,049)	(11,046)	—	—	(11,046)
Finance costs	64,625	29,392	94,017	266	—	94,283

**For the year ended 31 December 2019**

	Xiabuxiabu <i>RMB'000</i>	Coucou <i>RMB'000</i>	Total reportable segments <i>RMB'000</i>	Others <i>RMB'000</i>	Adjustments and eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
SEGMENT REVENUE						
External sales	4,726,950	1,204,340	5,931,290	98,877	—	6,030,167
Inter-segment sales	—	—	—	121,022	(121,022)	—
	<u>4,726,950</u>	<u>1,204,340</u>	<u>5,931,290</u>	<u>219,899</u>	<u>(121,022)</u>	<u>6,030,167</u>
Segment results ( <i>Note</i> )	<u>582,738</u>	<u>30,871</u>	<u>613,609</u>	<u>18,392</u>	<u>—</u>	<u>632,001</u>
Impairment losses on property, plant and equipment	(27,596)	—	(27,596)	—	—	(27,596)
Impairment losses on right-of-use assets	(16,763)	—	(16,763)	—	—	(16,763)
Gain from changes in fair value of financial assets at FVTPL	25,160	11,746	36,906	—	—	36,906
Loss on disposal of property, plant and equipment, net	(428)	—	(428)	—	—	(428)
Segment profit	<u>563,111</u>	<u>42,617</u>	<u>605,728</u>	<u>18,392</u>	<u>—</u>	<u>624,120</u>
Unallocated loss from changes in fair value of financial liability at FVTPL						(1,897)
Unallocated central administration costs						(109,383)
Unallocated directors' emoluments						(9,647)
Profit before tax						<u>503,193</u>

**Other segment information**

Amounts included in the measure of segment results:

	Xiabuxiabu <i>RMB'000</i>	Coucou <i>RMB'000</i>	Total reportable segments <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated costs <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Depreciation and amortization	669,453	160,327	829,780	6,182	3,424	839,386
Gain on termination of lease	(4,934)	—	(4,934)	—	—	(4,934)
Finance costs	<u>71,999</u>	<u>22,846</u>	<u>94,845</u>	<u>—</u>	<u>—</u>	<u>94,845</u>

*Note:* The measure used for reporting segment result is the adjusted segment profit (loss) before (i) Certain gain from changes in fair value of financial assets at FVTPL; (ii) interest on bank borrowings; (iii) impairment loss and disposal loss on non-current assets; and (iv) impairment loss on other receivables.



The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit earned by/loss from each segment without allocation of certain gain/(loss) from changes in fair value of financial assets/liabilities at FVTPL, central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

As at 31 December 2020						
	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated assets	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment assets</b>	<b>3,493,243</b>	<b>1,517,183</b>	<b>5,010,426</b>	<b>697,001</b>	<b>72,529</b>	<b>5,779,956</b>
<b>Other segment information</b>						
Amounts included in the measure of segment assets:						
Additions to property, plant and equipment	217,581	208,587	426,168	1,957	—	428,125
Additions to right-of-use assets	309,410	238,784	548,194	5,806	—	554,000
<b>Segment liabilities</b>	<b>2,258,713</b>	<b>1,083,452</b>	<b>3,342,165</b>	<b>97,623</b>	<b>—</b>	<b>3,439,788</b>
As at 31 December 2019						
	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated assets	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Segment assets</b>	<b>3,682,130</b>	<b>1,197,073</b>	<b>4,879,203</b>	<b>670,774</b>	<b>75,909</b>	<b>5,625,886</b>
<b>Other segment information</b>						
Amounts included in the measure of segment assets:						
Additions to property, plant and equipment	433,033	213,974	647,007	106,211	—	753,218
Additions to right-of-use assets	410,704	348,509	759,213	67,940	—	827,153
<b>Segment liabilities</b>	<b>2,262,498</b>	<b>886,143</b>	<b>3,148,641</b>	<b>90,405</b>	<b>—</b>	<b>3,239,046</b>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments based on the corresponding operating brands other than certain unallocated corporate property, plant and equipment and right-of-use assets; and
- all liabilities are allocated to operating segments based on the corresponding operating brands.

Revenue from major products and services, geographical information and information about major customers please reference to Note 3.

## 5. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposal of property, plant and equipment, net	(1,172)	(428)
Gain on termination of lease	11,046	4,934
Foreign exchange loss, net	(14,863)	(21)
Loss on closure of restaurants	(2,143)	(654)
Impairment loss on other receivables	(16,881)	—
Impairment loss recognized in respect of leasehold improvement	(37,117)	(27,596)
Impairment loss recognized in respect of right-of-use assets	(45,528)	(16,763)
Gain from changes in fair value of financial assets at FVTPL	60,369	36,906
Loss from changes in fair value of financial liability at FVTPL	—	(1,897)
Loss on disposal of inventory	(7,366)	—
	<u>(53,655)</u>	<u>(5,519)</u>

## 6. FINANCE COSTS

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	91,282	94,845
Interest on bank borrowings	4,027	—
Interest on provisions	3,001	—
	<u>98,310</u>	<u>94,845</u>

## 7. PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Depreciation of right-of-use assets	597,060	514,821
Depreciation of property, plant and equipment	406,467	321,844
Amortization of intangible assets	2,634	2,721
Total depreciation and amortization	1,006,161	839,386
Operating lease rentals in respect of restaurants lease payments		
— short-term lease ( <i>Note i</i> )	38,322	30,240
— Covid-19-related rent concessions	(60,727)	—
— variable lease payment ( <i>Note ii</i> )	80,501	102,400
— other rental expenses ( <i>Note iii</i> )	161,497	121,178
Total property rentals and related expenses	219,593	253,818
Directors' emoluments	12,796	9,647
Other staff cost		
Salaries and other allowance	1,401,193	1,438,774
Equity-settled share-based payments	4,574	4,413
Retirement benefit contribution	59,583	91,515
Total staff costs	1,478,146	1,544,349
Auditor's remuneration	3,600	3,300

*Note i:* The short-term lease refer to leases of restaurants, catering delivery robots and rented premises.

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

*Note iii:* The other rental expense refers to the property fee paid to the landlord.

## 8. INCOME TAX EXPENSE

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Enterprise income tax (“EIT”)		
Current tax	62,703	157,637
Deferred tax	(7,011)	54,918
	<u>55,692</u>	<u>212,555</u>
Total income tax recognized in profit or loss	<u>55,692</u>	<u>212,555</u>

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

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

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

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

## 9. EARNINGS PER SHARE

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

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
<i>Earnings figures are calculated as follows:</i>		
Profit for the year attributable to owners of the Company	<u>1,837</u>	<u>288,100</u>

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

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,070,076</b>	1,066,334
Effect of dilutive potential ordinary shares	<b>7,357</b>	9,473
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,077,433</b>	1,075,807
	<hr/>	<hr/>

## 10. DIVIDENDS

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Dividends recognized as distributions during the year	<b>79,624</b>	166,864
	<hr/>	<hr/>

On 7 April 2020, the Company declared a dividend of RMB0.046 per share with total dividends of RMB49,624,000 to shareholders for the year ended 31 December 2019. The dividend was paid in June 2020.

On 27 August 2020, the Company declared a dividend of RMB0.028 per share with total dividends of RMB30,000,000 to shareholders for the six months ended 30 June 2020. The dividend was paid in October 2020.

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

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

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2020 of RMB0.028 per share, amounting to approximately RMB30,000,000 to be paid out of the Company's share premium amount, which is subject to the approval by the shareholders at the forthcoming general meeting, to be held on 28 May 2021. The 2020 final dividend will be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 7 June 2021. The dividend has not been included as a liability in these consolidated financial statements.

## 11. RIGHT-OF-USE ASSETS

	<b>Leasehold lands RMB'000</b>	<b>Leased properties RMB'000</b>	<b>Total RMB'000</b>
<b>As at 31 December 2020</b>			
Carrying amount	<u>112,217</u>	<u>1,859,312</u>	<u>1,971,529</u>
<b>As at 31 December 2019</b>			
Carrying amount	<u>114,710</u>	<u>1,961,306</u>	<u>2,076,016</u>
<b>For the year ended 31 December 2020</b>			
Depreciation charge	2,493	594,567	597,060
Impairment recognized in profit or loss ( <i>Note i</i> )	<u>—</u>	<u>45,528</u>	<u>45,528</u>
	<u>2,493</u>	<u>640,095</u>	<u>642,588</u>
<b>For the year ended 31 December 2019</b>			
Depreciation charge	1,523	513,298	514,821
Impairment recognized in profit or loss ( <i>Note i</i> )	<u>—</u>	<u>16,763</u>	<u>16,763</u>
	<u>1,523</u>	<u>530,061</u>	<u>531,584</u>
	<b>For the year ended 31 December</b>		
	<b>2020</b>	<b>2019</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	
Expense relating to short-term leases	<b>38,322</b>	30,240	
Variable lease payments not included in the measurement of lease liabilities	<b>80,501</b>	102,400	
Total cash outflow for leases ( <i>Note ii</i> )	<b>652,322</b>	732,962	
Additions to right-of-use assets ( <i>Note iii</i> )	<u><b>554,000</b></u>	<u>827,153</u>	

### Notes:

- (i) After the assessment, the recoverable amount of the right-of-use asset was RMB1,971,529,000 (2019: RMB2,076,016,000) and an impairment of RMB45,528,000 (2019: RMB16,763,000) was recognized during the year 2020.
- (ii) Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases and payments of lease payments on or before lease commencement date (including leasehold land and rental deposits). These amounts could be presented in operating, investing or financing cash flows.
- (iii) Amount includes right-of-use assets resulting from new leases entered and adjustments to fair value of rental deposits at initial recognition, lease modification, reassessment/exercise of extension and payments for leasehold land.

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

The Group regularly entered into short-term leases mainly for rented premises and catering delivery robots. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 7.

## 12. LOAN RECEIVABLE

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Fixed-rate loan receivable	—	60,000
Analysed as		
Current	—	60,000

On 21 May 2019, the Group entered into a loan contract with a supplier, pursuant to which the Group provided a loan to the supplier, with a principal amount of RMB60,000,000 and a fixed interest rate of 10% per annum. By the expiring date, the supplier repaid a principal amount of RMB21,000,000. On 18 May 2020, the Group entered into a renewal loan agreement with a principal amount of RMB39,000,000 and a fixed interest of 10% per annum, which will expire on 26 December 2020.

On 31 October 2020, the supplier repaid the partial principal amount of RMB11,102,000. Then, both the Group and the supplier agreed to settle these remaining balances on a net basis, the residual balance of loan principal of RMB27,898,000 and the interest accrued of RMB4,335,000 were offset with the trade payables to the supplier.

## 13. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables	52,380	36,169
Prepaid operating expenses	30,624	43,698
Prepayments to suppliers	5,209	36,109
Interest receivable	—	2,159
Amounts prepaid to the RSU trustee for purchase of ordinary shares	13,991	14,065
Prepayments for value-added tax	249,869	227,666
Other receivables	56,523	18,509
	408,596	378,375
Less: Allowance for credit losses ( <i>Note</i> )	(16,881)	—
Total trade and other receivables and prepayments	391,715	378,375

Movements in the loss allowance for impairment of other receivables are as follows:

	<b>2020</b> <b>RMB'000</b>
At 1 January	—
Impairment losses recognized	<u>16,881</u>
At 31 December	<u><u>16,881</u></u>

*Note:* During the year ended 31 December 2020, a credit loss allowance for other receivables of RMB16,881,000 has been provided after considering the probability of defaults of the counterparty based on an individual assessment.

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

	<b>As at 31 December</b> <b>2020</b> <b>RMB'000</b>	<b>2019</b> <b>RMB'000</b>
Within 30 days	44,740	36,169
31 to 90 days	7,126	—
91 to 180 days	<u>514</u>	<u>—</u>
	<u><u>52,380</u></u>	<u><u>36,169</u></u>

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

#### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset mandatorily measured at FVTPL:

	<b>As at 31 December</b> <b>2020</b> <b>RMB'000</b>	<b>2019</b> <b>RMB'000</b>
Derivative financial instruments ( <i>Note</i> )	36,315	—
Short-term investment	<u>—</u>	<u>71,296</u>
	<u><u>36,315</u></u>	<u><u>71,296</u></u>

*Note:* In 2019, Xiabu Beijing acquired certain property, machines and fixtures at a consideration of RMB96,116,000 from two non-related individual third parties (the “**Sellers**”) through obtaining ownership of Xilin Gol League Yishun Halal Meat Co., Ltd. (“**Yishun**”) of which Yishun has become a subsidiary of the Group. One of the sellers of Yishun, Xiabu Beijing and a third-party trust company entered into several trust agreements under which, the seller entrust the third-party trust company to set up a trust plan (“**the Trust**”) and transferred RMB60,000,000 to the Trust on 10 September 2019. According to the Trust agreements, the Trust should complete the purchase of the Company’s shares of RMB60,000,000 from the market within the portfolio construction period which has been eventually completed on 11



November 2019 (the “**end of portfolio construction period**”). The Trust would be terminated within three years since the end of portfolio construction period. According to the Trust agreements, the investment principal of RMB60,000,000 and a fixed return of RMB2,400,000 per annum was guaranteed by Xiabu Beijing and the seller is entitled to additional returns under specific condition based on the price of the stock shares, while Xiabu Beijing will take the residual return/loss from the Trust accordingly, on the net settlement in cash, if any.

In the opinion of the Directors, the Company’s right and obligation in the Trust constitute a derivative which is based on the stock price of the Company. As at 31 December 2020, the fair value of the derivative was RMB36,315,000, which represented a gain and was recorded as a financial asset measured at FVTPL. As at 31 December 2019, the fair value of the derivative was RMB1,224,000, which represented a loss and was recorded as a financial liability measured at FVTPL. The fair value change is recognized in the line items of other gains and losses.

## 15. TRADE PAYABLES

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

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Within 60 days	332,597	342,649
61 to 180 days	2,023	1,110
181 days to 1 year	595	2,970
Over 1 year	6,010	3,346
	<u>341,225</u>	<u>350,075</u>

## 16. LEASE LIABILITIES

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB’000</b>	<b>RMB’000</b>
<b>Lease liabilities payable:</b>		
Within one year	564,756	464,490
Within a period of more than one year but not exceeding two years	497,093	423,869
Within a period of more than two year but not exceeding five years	787,466	820,749
Within a period of more than five years	115,726	269,354
	<u>1,965,041</u>	<u>1,978,462</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(564,756)</u>	<u>(464,490)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>1,400,285</u>	<u>1,513,972</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 3.60% to 5.64% (2019: from 3.60% to 5.64%).

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

	HK Dollars <i>RMB'000</i>	US Dollars <i>RMB'000</i>
As at 31 December 2020	55,068	65
As at 31 December 2019	50,693	—

## 17. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December 2020 <i>USD'000</i>	2019 <i>USD'000</i>
Share capital of US\$0.000025 each	27	27
	<i>RMB'000</i>	<i>RMB'000</i>
Presented as:		
Ordinary shares	175	174
	<i>'000</i>	<i>'000</i>
Number of shares:		
Fully paid ordinary shares	1,083,790	1,080,688

### Ordinary shares

	Authorized shares		Issued capital	
	Number of shares '000	Amount <i>RMB'000</i>	Number of shares '000	Amount <i>RMB'000</i>
Balance at 31 December 2018	2,000,000	336	1,076,393	174
Exercise of issued share option	—	—	4,295	—
Balance at 31 December 2019	2,000,000	336	1,080,688	174
Exercise of issued share option	—	—	3,102	1
Balance at 31 December 2020	2,000,000	336	1,083,790	175

## OTHER INFORMATION

### Impact of the Pandemic

Following the development of the Pandemic, central and local governments implemented control measures and restrictions on consumption areas which affected the Group's business greatly. In order to comply with the government measures and to ensure the safety of its staff and customers, since 23 January 2020, the Group gradually suspended majority of its restaurant operations. As the outbreak has been generally contained in China since March 2020, and the Pandemic situation eased the Group started to gradually reopen many of these closed restaurants, the Group's business has been recovering at a fast pace.

- During the Pandemic, as there are uncertainties towards the future outlook, the Group adopted a cautious restaurant opening strategy, choosing locations only after the Group sees there's sufficient customer traffic to ensure the restaurants are able to generate normal profitability level as well as stable source of cash flow. In 2020, there was a huge change to business environment, the Group altered its strategy, for reasons such as: restaurants that are located at old commercial locations where sales dropped as a result of lower customer traffic; shopping mall underwent transformation or upgrade, the Group has also closed down some underperforming restaurants in order to maintain the overall profitability level of the Company;
- Took on a proactive approach to negotiate rental free concessions with owners and landlords in order to reduce the operating overheads of the Company;
- During the period where dine-in business was affected, the Group puts in additional efforts to promote delivery business, rolling out fresh ingredients and hotpot deliveries. In 2020, revenue generated from delivery business contributed RMB343.8 million, an increment of 22.0% verses RMB281.8 million in 2019;
- The Group started to share its work force with other enterprises during the Pandemic, which helped its staffs to gain additional income and helped to reduce the staffing cost bear by the Company;
- The Company had maintained a healthy cash flow position even during the Pandemic, as of 31 December 2020, the Company had bank balances and cash of RMB1,097.3 million. In order to ensure the Group was able to overcome uncertainties during the Pandemic, the Company obtained additional credit facilities from banks as well.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2020.

For details of the shares purchased by the RSU Trustee for the purpose of the RSU Scheme during the year ended 31 December 2020, please refer to the section headed “Management Discussion and Analysis — Employee and staff costs” above.

## **FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board recommends the payment of the 2020 Final Dividend of RMB0.028 per share for the year ended 31 December 2020 to be paid out of the Company’s share premium account, which is subject to the approval of the Company’s shareholders at the forthcoming AGM to be held on 28 May 2021. The 2020 Final Dividend will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 7 June 2021.

The register of members of the Company will be closed from 25 May 2021 to 28 May 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on 28 May 2021, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 24 May 2021.

Subject to the approval of the declaration of the 2020 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from 3 June 2021 to 7 June 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the 2020 Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 2 June 2021. The 2020 Final Dividend, if approved by the Company’s shareholders at the forthcoming AGM, will be paid on or about 18 June 2021 to those shareholders whose names appear on the register of members of the Company on 7 June 2021.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report (the “**Code**”) set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2020, the Company has complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 2020.

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2020.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

This annual results announcement is published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company ([www.xiabu.com](http://www.xiabu.com)). The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and will be available on the website of The Stock Exchange of Hong Kong Limited and that of the Company in due course.

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

Hong Kong, 30 March 2021

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