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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	Period-to-Period Change
	RMB'000	*RMB'000*	%
	(Unaudited)	(Unaudited)	
Revenue	**3,046,890**	1,921,876	58.5
Segment results(1)	**124,866**	(200,020)	162.4
Loss before tax	**(53,868)**	(311,945)	82.7
Total loss for the period	**(46,932)**	(252,105)	81.4
Total loss for the period attributable to owners of the Company	**(49,921)**	(254,942)	80.4
Adjusted net loss(2)(3)	**(39,906)**	(192,589)	79.3

(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; and (iii) impairment loss and disposal loss on non-current assets.

(2) Adjusted net loss 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 loss is an unaudited non-generally accepted accounting principle ("**GAAP**") item. 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 six months ended 30 June 2021:

	Xiabuxiabu	**Coucou**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from restaurant operations[4]	1,844,945	1,126,363
Restaurant level operating profit[5]	132,618	132,159

(4) As to the revenue from restaurant operations, please refer to Note 3 on Revenue in the section headed "Financial Information" in 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-lFRS 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-GAAP item.

INTERIM DIVIDEND

The Board declared an interim dividend of RMB0.028 per share, amounting to approximately a total of RMB30.0 million for the six months ended 30 June 2021.

The board of directors (the "**Board**") of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Reporting Period**").

BUSINESS REVIEW AND OUTLOOK

Overview

In the first half of 2021, the Group opened 40 new Xiabuxiabu-branded restaurants and operated 1,077 restaurants in 21 provinces and 3 centrally administered municipalities in China namely in Beijing, Tianjin and Shanghai. The Group also opened 9 new Coucou-branded restaurants and operated 149 restaurants in 18 provinces and in three centrally administered municipalities, namely in Beijing, Tianjin and Shanghai, and in Hong Kong.

The Group's revenue increased by 58.5% from RMB1,921.9 million in the first half of 2020 to RMB3,046.9 million in the same period in 2021. The sales from the Xiabuxiabu brand increased by 50.6% from RMB1,240.1 million in the first half of 2020 to RMB1,867.4 million. The sales generated from the Coucou brand increased by 90.0% from RMB593.0 million in first half of 2020 to RMB1,126.5 million for the same period in 2021. The loss for the period had significantly reduced from RMB252.1 million in the first half of 2020 to RMB46.9 million in 2021. Although the loss has been narrowed down, we were unable to deliver profit. Through a thorough review of the Xiabuxiabu brand operations, we will need to continue to work hard going forward.

Operational Highlights

The Group's restaurant network

In the first half of 2021, the Group opened 40 Xiabuxiabu-branded restaurants and 9 Coucou-branded restaurants. In addition, the Group closed a total of 24 Xiabuxiabu-branded restaurants in the first half of 2021 due to commercial reasons.

The table below sets forth the number of the Group's Xiabuxiabu-branded restaurants ("#") by region as at the dates indicated:

	As at 30 June			
	2021		2020	
	#	%	#	%
Tier 1 cities[(1)]	**372**	**34.6**	364	36.0
Tier 2 cities[(2)]	**445**	**41.3**	405	40.1
Tier 3 cities and below[(3)]	**260**	**24.1**	241	23.9
Total	**1,077**	**100.0**	1,010	100.0

(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 number of the Group's Coucou-branded restaurants ("#") by region as at the dates indicated:

	As at 30 June			
	2021		2020	
	#	**%**	#	%
Tier 1 cities[(1)]	**61**	**40.9**	52	48.6
Tier 2 cities[(2)]	**83**	**55.7**	51	47.7
Tier 3 cities and below[(3)]	**1**	**0.7**	1	0.9
Outside mainland China[(4)]	**4**	**2.7**	3	2.8
Total	**149**	**100.0**	107	100.0

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Changzhou, Chengdu, Changsha, Dalian, Dongguan, Foshan, Fuzhou, Harbin, Nantong, Nanjing, Nanning, Ningbo, Xiamen, Suzhou, Shijiazhuang, Wuhan, Wenzhou, Wuxi, Zhuhai and Zhengzhou.

(3) Yangzhou.

(4) Hong Kong SAR.

Key operational information of the Group's restaurants

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

	For the six months ended 30 June	
	2021	2020
Net Revenue (in RMB thousands)		
Tier 1 cities[(1)]	**841,749**	540,160
Tier 2 cities[(2)]	**633,965**	410,841
Tier 3 cities and below[(3)]	**369,135**	271,689
Total	**1,844,849**	1,222,690
Average spending per customer (RMB)[(4)]		
Tier 1 cities[(1)]	**65.2**	66.3
Tier 2 cities[(2)]	**59.8**	61.2
Tier 3 cities and below[(3)]	**60.0**	61.1
	62.2	63.3
Seat turnover rate (x)[(5)]		
Tier 1 cities[(1)]	**2.8**	2.1
Tier 2 cities[(2)]	**2.1**	1.6
Tier 3 cities and below[(3)]	**1.9**	1.7
	2.3	1.8

(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.

(4) Calculated by dividing revenue generated from sales of Xiabuxiabu-branded restaurants for the period by total customer traffic of Xiabuxiabu-branded restaurants for the period.

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

In the first half of 2021, net revenue generated from Xiabuxiabu-branded restaurants increased from RMB1,222.7 million for the six months ended 30 June 2020 to RMB1,844.8 million for the six months ended 30 June 2021. The seat turnover rate increased from 1.8x for the six months ended 30 June 2020 to 2.3x for the six months ended 30 June 2021. Average customer spending in the first half of 2021 was RMB62.2, slightly lower than the first half of 2020 primarily due to more promotions being launched to attract customer traffic.

The table below sets forth same-store sales and sales growth of Group's Xiabuxiabu-branded restaurants for the periods indicated:

	For the six months ended 30 June			
	2021	**2020**	2020	2019
Number of same-store*				
Tier 1 cities	**323**		318	
Tier 2 cities	**368**		323	
Tier 3 cities and below	**216**		172	
Total	**907**		813	
Same-store sales (in RMB million)				
Tier 1 cities	**568.4**	**396.3**	389.1	713.8
Tier 2 cities	**343.3**	**269.3**	235.9	394.4
Tier 3 cities and below	**186.8**	**180.8**	137.8	192.3
Total	**1,098.5**	**846.4**	762.8	1,300.5
Same-store sales growth (%)				
Tier 1 cities	**43.4**		(45.5)	
Tier 2 cities	**27.5**		(40.2)	
Tier 3 cities and below	**3.3**		(28.3)	
	29.8		(41.3)	

* Including restaurants that commenced operations prior to the beginning of the periods under comparison and opened for the same number of days in both 2020 and 2021.

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

	For the six months ended 30 June	
	2021	2020
Net Revenue (in RMB thousands)		
Tier 1 cities(1)	**518,587**	303,876
Tier 2 cities(2)	**558,146**	256,599
Tier 3 cities and below(3)	**5,072**	2,598
Outside mainland China(4)	**43,913**	29,921
Total	**1,125,718**	592,994
Average spending per customer (RMB)(5)		
Tier 1 cities(1)	**139.6**	141.4
Tier 2 cities(2)	**128.2**	133.4
Tier 3 cities and below(3)	**124.1**	129.8
Outside mainland China(4)	**283.2**	271.8
	136.2	141.0
Table turnover rate (x)(6)		
Tier 1 cities(1)	**2.8**	2.0
Tier 2 cities(2)	**2.5**	1.9
Tier 3 cities and below(3)	**1.8**	1.0
Outside mainland China(4)	**2.4**	2.1
	2.6	1.9

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Changzhou, Chengdu, Changsha, Dalian, Dongguan, Foshan, Fuzhou, Harbin, Nantong, Nanjing, Nanning, Ningbo, Xiamen, Suzhou, Shijiazhuang, Wuhan, Wenzhou, Wuxi, Zhuhai and Zhengzhou.

(3) Yangzhou.

(4) Hong Kong SAR.

(5) Calculated by dividing revenue generated from sales of Coucou-branded restaurants for the period by total customer traffic of Coucou-branded restaurants for the period.

(6) For the dine-in part, this is calculated by dividing total sales number by total Coucou-branded restaurant operation days and average table count of Coucou-branded restaurants during the period. For the delivery part, in consideration of the business model of the Coucou brand, the Group modified the definition of table turnover rate in order to better present the delivery sales. Based on the modified definition, the delivery sales that equals to the average dine-in customer spending is regarded as one dine-in customer.

In the first half of 2021, due to less disruptions by the Pandemic, table turnover rate of Coucou-branded restaurants increased from 1.9x in the first half of 2020, to 2.6x in the first half of 2021. Average spending per customer in the first half of 2021 was RMB136.2 for the six months ended 30 June 2021, representing a decrease as compared with that for the first half of 2020, which was mainly attributable to the adjustments to the menu.

The table below sets forth same-store sales and sales growth of Group's Coucou-branded restaurants for the periods indicated:

	For the six months ended 30 June			
	2021	**2020**	2020	2019
Number of same-store*				
Tier 1 cities	**49**		31	
Tier 2 cities	**51**		25	
Tier 3 cities and below	**1**		–	
Outside mainland China	**3**		–	
Total	**104**		56	
Same-store sales (in RMB million)				
Tier 1 cities	**348.9**	**261.0**	170.5	256.1
Tier 2 cities	**285.3**	**235.6**	116.6	141.6
Tier 3 cities and below	**3.1**	**1.9**	–	–
Outside mainland China	**30.9**	**29.9**	–	–
Total	**668.2**	**528.4**	287.1	397.7
Same-store sales growth (%)				
Tier 1 cities	**33.7**		(33.4)	
Tier 2 cities	**21.1**		(17.6)	
Tier 3 cities and below	**63.2**		–	
Outside mainland China	**3.3**		–	
	26.5		(27.8)	

* Including restaurants that commenced operations prior to the beginning of the periods under comparison and opened for the same number of days in both 2020 and 2021.

Outlook

Business Outlook

We believe that although China had a speedy economic recovery, the Pandemic still affects the economy and the economy will continue to face a certain level of challenges. The Group is prepared to implement the following initiatives to expand the business, strengthen management and reintegrate to capture the momentum:

- Continue to develop the Coucou brand: Over the past few years, the Coucou brand was well perceived by landlords as well as consumers. This was illustrated by the percentage of revenue contributed by the Coucou brand as a percentage of the Group's sales, which increased from 31% in the first half of 2020 to 37% in the first half of 2021. Despite a challenging first half in 2021, the Coucou brand opened 9 new restaurants and going forward the Group will continue to dedicate more efforts to further develop this brand. We will continue to expand this brand by expanding the footprint into other new cities and provinces. We believe the Pandemic will improve going forward, and we will also take the opportunity to expand this brand further outside China when the travel bans between countries are lifted.

- To re-integrate and restart the business: To review the structure of the operational teams across the country, re-classify the business districts, decentralize the operational teams, encourage competition between districts, replace the original management model by a more efficient personnel structure that make reporting line more direct and systematic. By adopting the mentorship model through which experienced managers will lead the new teams, we aim to enable teams to develop the ability of thinking efficiently and gain better negotiation skill. Based on the performance and comprehensive quality evaluation of these new teams, we will identify the teams with the best performance and build a stronger and more robust front-line operational team.

- The stable supply of good-quality first-line operation talents is the key to sustain the Group's continued growth in the future: Improving the incentive scheme of functional departments and operational teams is an effective way to stimulate the development potential of employees and ensure the stable output of high-quality talents during the process of scale expansion. We will implement the profit-sharing mechanism in order to unify the performance evaluation scale of the operational team and resolve the problem of any unfair evaluation mechanism for the various levels of team. We will also re-adjust the bonus calculation method, from the original calculation model based on the target revenue-sharing to the profit-sharing model, in order to better inspire the teams' enthusiasm and to achieve better control on various costs to achieve greater operating profit.

- To re-adjust the Xiabuxiabu brand model and slow down the progress of opening new stores: We plan to re-adjust the branding tone and the overall design of restaurants, re-plan the menu based on the strong supply chain and solid experience of the product development team, launch appropriate products with affordable prices in different categories, bring the average spending price to the value for money model to the brand to better meet the diverse needs of our customers. While adjusting the new branding model of the Xiabuxiabu brand, we will reorganize the development of new locations in the second half of the year, adjust the pace of new stores opening and focus on premium quality projects instead of opening stores simply for the sake of opening stores.

- Accelerate the speed of opening stores of Coucou brand, and at the same time, to better plan the location of stores with a cautious mindset: In order to make a rapid expansion and seize a bigger market share, it is necessary to maintain quality and quantity of the new openings. We will choose premium business districts that match the caliber that fits the Coucou brand. We will focus on the first-tier market, at the same time seize the second-and third-tier markets, and accelerate the pace of opening stores in overseas markets, to expand the brand internationally.

- To strengthen the branding power: By crossing over with different brands, launching pop-up stores, co-branded stores and in-shop concepts to increase brand exposure, in order to test the market by launching new models, and to accelerate the layout pace of the brand.

- Intensify the research and development of new products, introduce more popular products, and lead the hot pot trend: By integrating high-quality ingredients sourced domestically and from abroad, we will continue to introduce popular products with good taste, quality and value and which are socially shareable to maintain product vitality. We will optimize product structure and menu layout to meet the taste profiles in various regions, and rationally optimize product cost structure to increase product gross profit.

- To remove non-performing assets, integrate light model to promote our business by getting rid of certain non-profit making Xiabuxiabu-branded restaurants: After the non-performing restaurants are closed, we will integrate the development department of the Group and reorganize KPIs and store opening indicators so that the operating profits are expected to increase during the overall lease period.

- Reinforce online sales, enhance repurchase rate: To utilise the Wechat platform to expand the online and offline membership scheme, effectively manage the operation and maintenance of the online traffic from each restaurant, establish the concept of using a single store as a community marketing center to improve the repurchase rate of the restaurants. To use the online tools and platforms to boost the frequency of online orders. At the same time, the Group will strengthen its efforts to accelerate the expansion of the delivery business, enhance the brand awareness of "Xiabu Delivery", and laydown a solid foundation for continued growth in the future. In the first half of 2021, Xiabu Delivery revenue reached RMB186.9 million.

- To put more consideration into customer satisfaction: Customer satisfaction is crucial to the business, therefore the Group had clearly set out a key KPI to ensure all shop managers perform at a high standard. Going forward, the Group will continue to follow this as part of the KPI measuring mechanism to gauge the level of service delivered by the operational team.

- Condiment products business in pipeline to capture market: We will upgrade their packaging, and flavors to enrich the product lines and launch convenient yet high-quality convenience products to seize the "lazy economy" to meet the different needs of customers; and expand beyond traditional sale channels such as hypermarkets, farmer's markets, and supermarkets. We will promote multiple sales channels, such as e-commerce platforms, community group purchase, regional O2O platforms and community fresh food stores, etc., and focus on online channels and digital media, launching promotions, bringing the brands closer to consumers, expanding the brand imagine to increase the repurchase ratio. At the same time, leveraging on live broadcasts, we will increase product exposure and promote multi-dimensional brand building.

2021 Industry Outlook

As consumers' living standard improves, the development of the catering industry in the next few years is crucial to the Group's future success. The increase of per capita disposable income and the expansion of the middle class are also contributing to the accelerated diversification, specialization and quality improvement in the catering industry. In addition, as millennials are becoming the main consumer group in the catering industry, their unique consumption behaviors, such as emphasis on quality and brand name, and their preference for food delivery services other than dine-in experience will change the competitive landscape of the industry. In the future, companies in the catering industry will continue to focus on brand development, maintenance, enhancement and internal transformation to achieve an overall quality improvement of their operations. New dining experiences combined with the use of innovative technologies will become the key growth factor of companies in the catering industry. The integration of online and offline business operations had become a model that customers got used to during the Pandemic and will become the future trend of development in the catering industry.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's consolidated statement of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the periods indicated, together with the change (expressed in percentages) from the six months ended 30 June 2020 to the six months ended 30 June 2021:

	For the six months ended 30 June				Period-to-period Change
	2021		2020		
	RMB'000	*%*	*RMB'000*	*%*	*%*
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**3,046,890**	**100.0**	1,921,876	100.0	58.5
Other income	**59,258**	**1.9**	66,087	3.4	(10.3)
Raw materials and consumables used	**(1,134,828)**	**(37.2)**	(764,251)	(39.8)	48.5
Staff costs	**(926,685)**	**(30.4)**	(636,412)	(33.1)	45.6
Property rentals and related expenses	**(140,772)**	**(4.6)**	(93,144)	(4.8)	51.1
Utilities expenses	**(94,897)**	**(3.1)**	(66,653)	(3.5)	42.4
Depreciation and amortization	**(530,986)**	**(17.4)**	(466,397)	(24.3)	13.8
Other expenses	**(206,974)**	**(6.8)**	(164,520)	(8.6)	25.8
Other gains and losses	**(75,477)**	**(2.5)**	(58,937)	(3.1)	28.1
Finance costs	**(49,397)**	**(1.6)**	(49,594)	(2.6)	(0.4)
Loss before tax	**(53,868)**	**(1.7)**	(311,945)	(16.2)	(82.7)
Income tax credit	**6,936**	**0.2**	59,840	3.1	(88.4)
Loss for the period	**(46,932)**	**(1.5)**	(252,105)	(13.1)	(81.4)
Total comprehensive expense for the period	**(46,932)**	**(1.5)**	(252,105)	(13.1)	(81.4)
Loss for the period attributable to:					
Owners of the Company	**(49,921)**	**(1.6)**	(254,942)	(13.3)	(80.4)
Non-controlling interest	**2,989**	**0.1**	2,837	0.2	5.4
	(46,932)	**(1.5)**	(252,105)	(13.1)	(81.4)
Total comprehensive expense attributable to:					
Owners of the Company	**(49,921)**	**(1.6)**	(254,942)	(13.3)	(80.4)
Non-controlling interest	**2,989**	**0.1**	2,837	0.2	5.4
	(46,932)	**(1.5)**	(252,105)	(13.1)	(81.4)
Loss per share					
– Basic (RMB cents per share)	**(4.64)**		(23.84)		
– Diluted (RMB cents per share)	**(4.64)**		(23.84)		

Revenue

The Group's revenue increased by 58.5% from RMB1,921.9 million for the six months ended 30 June 2020 to RMB3,046.9 million for the same period of 2021, primarily due to the increase in number of Group's restaurants and the better control of the Pandemic by central Government and various local governments. The revenue generated from the Group's Xiabuxiabu brand increased by 50.6% from RMB1,240.1 million for the six months ended 30 June 2020 to RMB1,867.4 million for the same period in 2021. The revenue contributed by Coucou brand increased from RMB593.0 million for the six months ended 30 June 2020 to RMB1,126.5 million for the six months ended 30 June 2021. The sales of condiment products decreased from RMB57.1 million for the six months ended 30 June 2020 to RMB48.1 million for the same period in 2021. The Group opened 40 new Xiabuxiabu-branded restaurants and 9 new Coucou-branded restaurants throughout China in the first half of 2021 to enhance its restaurant network.

Other income

The Group's other income decreased from RMB66.1 million for the six months ended 30 June 2020 to RMB59.3 million for the same period in 2021. This was mainly due to the decrease in Pandemic related value-added tax exemption provided by government.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 48.5% from RMB764.3 million for the six months ended 30 June 2020 to RMB1,134.8 million for the same period of 2021 as a result of increase in customer traffic and in sales at the restaurants. As a percentage of the Group's revenue, the Group's raw materials and consumables costs decreased from 39.8% in the first half of 2020 to 37.2% in the first half of 2021, primarily due to sales recovery and the continued effort by the Group to better mitigate the food cost.

Staff costs

The Group's staff cost increased by 45.6% from RMB636.4 million for the six months ended 30 June 2020 to RMB926.7 million for the same period of 2021. The number of the Group's employees increased from 26,797 as at 30 June 2020 to 30,087 as at 30 June 2021. Staff cost increased primarily due to many restaurants can resume operate in full hours in the first half of 2021. As restaurant revenue increased, as a percentage of the Group's revenue, the Group's staff cost decreased from 33.1% in the first half of 2020 to 30.4% in the first half of 2021. In connection with the pre-IPO share incentive plan adopted by the Company on 28 August 2009 (the "**Pre-IPO Share Incentive Plan**") and the restricted share unit scheme adopted by the Company on 28 November 2014 (the "**RSU**

Scheme"), the Group's equity-settled share-based expenses increased by approximately 52.9% from RMB3.5 million in the first half of 2020 to RMB5.4 million in the first half of 2021.

Property rentals and related expenses

The Group's property rentals and related expenses increased by 51.1% from RMB93.1 million for the six months ended 30 June 2020 to RMB140.8 million as a result of: (i) landlords were less willing to offer rent-free periods as the Pandemic got better in the first half of 2021; (ii) turnover rental increases as dine-in resumes. As a percentage of the Group's revenue, the Group's property rentals and related expenses decreased from 4.8% in the first half of 2020 to 4.6% in the first half of 2021.

Utilities expenses

The Group's utilities expenses increased by 42.4% from RMB66.7 million for the six months ended 30 June 2020 to RMB94.9 million for the same period of 2021 as the scale of the Group's operation resumed after the Pandemic. As a percentage of the Group's revenue, utilities expenses decreased from 3.5% in the first half of 2020 to 3.1% in the first half of 2021.

Depreciation and amortization

The Group's depreciation and amortization increased by 13.8% from RMB466.4 million for the six months ended 30 June 2020 to RMB531.0 million for the same period of 2021, primarily as a result of business expansion where there were more new restaurants opened in second half of 2020 and the first half of 2021. As a percentage of the Group's revenue, depreciation and amortization decreased from 24.3% in the first half of 2020 to 17.4% in the first half of 2021.

Other expenses

The Group's other expenses increased by 25.8% from RMB164.5 million for the six months ended 30 June 2020 to RMB207.0 million for the same period of 2021 due to higher disinfected cost to clean the restaurants, higher logistic expenses, an increase in travel and communication expenses and higher administrative fees. As a percentage of the Group's revenue, the Group's other expenses decreased from 8.6% for the six months ended 30 June 2020 to 6.8% for the same period of 2021.

Other gains and losses

The Group recognized other net losses of RMB75.5 million for the six months ended 30 June 2021 as compared to RMB58.9 million for the six months ended 30 June 2020. The other net losses of RMB75.5 million consist primarily of i) the provision of an asset impairment loss of approximately RMB118.8 million as the Company expects to close around 200 loss-making Xiabuxiabu-branded restaurants throughout the year, compared to impairment loss of RMB50.0 million in the previous period, ii) gain on reassessment of lease liabilities of RMB33.5 million, and iii) gain on termination of lease of RMB17.8 million (as detailed in note 7 to the condensed consolidated financial statements).

Finance costs

The Group recorded finance cost of RMB49.4 million for the six months ended 30 June 2021 mainly due to the interest expense recognized as a result of the implementation of IFRS 16.

Loss before tax

As a result of the foregoing, the Group recorded loss before tax of RMB53.9 million for the six months ended 30 June 2021 as compared to RMB311.9 million for the six months ended 30 June 2020.

Income tax credit

The Group recorded income tax credit of RMB6.9 million for the six months ended 30 June 2021 as compared to RMB59.8 million for the six months ended 30 June 2020.

Loss for the period attributable to owners of the Company

As a result of the cumulative effect of the above factors, the Group recorded loss for the period attributable to owners of the Company of RMB49.9 million for the six months ended 30 June 2021 as compared to RMB254.9 million for the six months ended 30 June 2020.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB5.4 million and as a result of the change in IFRS 16 which led to a decrease in loss of RMB4.7 million in the first half of 2021, the Group would have recorded loss for the period attributable to owners of the Company of RMB39.9 million for the six months ended 30 June 2021 as compared to RMB192.6 million for the six months ended 30 June 2020. For further details, please refer to the section headed "Non-IFRS Measure — Adjusted net loss" below.

Non-IFRS Measure

Adjusted net loss

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group also uses adjusted net loss as an additional financial measure to evaluate the Group's financial performance without taking into account certain unusual and non-recurring items. Adjusted net loss is calculated by deducting expenses 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 loss for the period to adjusted net loss:

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
Total loss for the period attributable to owners of the Company	**(49,921)**	(254,942)
Equity-settled share-based expenses	**5,356**	3,503
Impact of implementation of IFRS 16	**4,659**	58,850
Adjusted net loss[1]	**(39,906)**	(192,589)

(1) Adjusted net loss is an unaudited non-GAAP item. The Group uses such unaudited non-GAAP adjusted net loss 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, loss 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

For the six months ended 30 June 2021, the Group financed its operations primarily through cash from the Group's operations. The Group intends to finance its expansion and business operations by internal resources through organic and sustainable growth as well as bank financing.

Cash and cash equivalents

As at 30 June 2021, the Group had cash and cash equivalents of RMB463.7 million (31 December 2020: RMB1,097.3 million), which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Hong Kong dollars (as to 4.4%), Renminbi (as to 53.6%), U.S. dollars (as to 41.0%) and Singapore dollars (as to 1.0%).

On the other hand, the Group had short-term investments of RMB734.1 million as at 30 June 2021 as detailed in note 16 to the condensed consolidated financial statements as well as the description below.

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.

Financial assets at fair value through profit or loss ("FVTPL")

As at 30 June 2021, the Group had financial assets at FVTPL which amounted to RMB755.6 million in aggregate (31 December 2020: RMB36.3 million), which mainly represented short-term financial products (the "**Financial Products**") issued by Industrial and Commercial Bank of China Limited, China Merchants Bank Co., Ltd., Xiamen International Bank, Bank of Inner Mongolia Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Fubon Bank (China) Co., Ltd. (collectively, the "**Banks**"), Huatai Securities Co., Ltd. and ZhongRong International Trust Co., Ltd. (collectively, the "**Investment Fund Companies**"). Financial assets at FVTPL amounting to RMB625.6 million are the Financial Products issued by Banks and Investment Fund Companies which are short-term investments with no predetermined or guaranteed return and are not principal protected. Financial assets at FVTPL amounting to RMB108.6 million are the Financial Products issued by Banks which are short-term investments with predetermined or guaranteed minimum return and are principal protected.

The Company generally subscribed for the Financial Products on a revolving basis, which means that the Company would subscribe for additional Financial Products when the terms of certain Financial Products previously subscribed for by the Company expired. As at 30 June 2021, the Company held 12 outstanding Financial Products issued by the six different Banks and two Investment Fund Companies with an aggregate principal amount of RMB727.9 million which shall all mature by no later than 28 December 2021.

The Financial Products which the Company subscribed for during the six months ended 30 June 2021 were with a term ranging from 1 day to 320 days and an expected return rate ranging from 3.06% to 7.60% per annum. The Group realized from the Financial Products during the six months ended 30 June 2021 was recorded as gain from changes in fair value of financial assets designated at financial assets at FVTPL and amounted to approximately RMB12.0 million for the six months ended 30 June 2021.

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

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

There was no single financial product in the Group's investment portfolio that has a carrying amount that account for more than 5% of the Group's total assets as at 30 June 2021.

The Group purchased additional products with an aggregate principal amount of RMB100.0 million from 1 July 2021 up to the date of this announcement and 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 at 30 June 2021, the Group had short term borrowings of RMB20.0 million including bank loans that were made in Renminbi at a fixed interest rate of 3.15% and are expected to mature within one year.

Gearing ratio

As at 30 June 2021, the Group's gearing ratio was 2.2%. 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 representing the purchase of property, plant and equipment of RMB152.9 million for the six months ended 30 June 2020 in connection with new restaurant opening and re-decoration and furnishing of existing stores. For the six months ended 30 June 2021, the Group made payment for the capital expenditure of RMB216.8 million. The Group's capital expenditure in the first half of 2021 was funded primarily by cash generated from its operating activities. In the first half of 2021, the Group opened a total of 49 new restaurants. As at 30 June 2021, the Group did not have any charge over its assets.

Contingent liabilities and guarantees

As at 30 June 2021, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

On 8 May 2021, Xiabuxiabu (China) Food Co., Ltd.(呷哺呷哺(中國)食品有限公司) ("**Xiabu China**", a non-wholly-owned subsidiary of the Company) established a joint venture company (the "**Joint Venture Company**") with Qingdao Richen Food Co., Ltd. (青島日辰食品股份有限公司) ("**Qingdao Richen**") in Xiqing District, Tianjin, the People's Republic of China. Qingdao Richen is a seasoning manufacturer established in China and listed on the Shanghai Stock Exchange (stock code: 603755). After making all reasonable enquiries and to the best knowledge and belief of the Directors of the Company, Qingdao Richen and its ultimate beneficial owners are third parties independent of the Company and its connected persons. According to the joint venture agreement, the Joint Venture Company is owned 50% each by Xiabu China and Qingdao Richen. The first phase of the registered capital of the Joint Venture Company is RMB98 million, of which Xiabu China and Qingdao Richen will each inject RMB49 million. The Joint Venture Company is principally engaged in the production and operation business of condiment products, hotpot soup base, instant and frozen food, etc. (the "**Products**") for distribution among the restaurants of the Group and sales in the market through other channels.

The purpose of entering into the joint venture agreement is to ensure a stable supply of Products to support the expansion of the Group's business, as well as to tailor the Products for distribution among the Group's restaurants and sales in the market to enhance customers' satisfaction. The Group recognizes the strong potential market opportunity for condiment product business which supplements and complements the principal catering service business of the Group. The formation of a Joint Venture Company facilitates the launch of quality products, helps diversify its source of income and further strengthens its brand, and is in line with the Group's business development strategies and planning. The terms of the joint venture agreement were determined after extensive negotiations between Xiabu China and Qingdao Richen. The joint venture agreement has been entered into on normal commercial terms. The formation of a Joint Venture Company does not constitute a notifiable transaction or connected transaction of the Company under the Listing Rules.

Apart from this, the Group has no specific plans for major investment, acquisition or disposal of major capital assets or other businesses. However, the Group will continue to look for new business opportunities for business development.

Employee and staff costs

As at 30 June 2021, the Group had a total of 30,087 employees, of which 89 employees worked at the Group's food processing facilities, 3,184 were restaurant management staff, 26,005 were restaurant operation and service staff and 809 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 a further incentive to the Group's restaurant staff whenever certain performance targets are 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 six months ended 30 June 2021, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB926.7 million, representing approximately 30.4% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 1,185,601 shares (representing approximately 0.11% 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 at 30 June 2021. The Company has also adopted the RSU Scheme which became effective upon the date of listing of the Company. Computershare Hong Kong Trustees Limited has been appointed as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme (the "**RSU Trustee**"). Such shares will be used as awards for relevant RSU participants upon the grant and vesting of restricted share units ("**RSUs**"). As at 30 June 2021, RSUs in respect of an aggregate of 4,177,880 shares (representing approximately 0.38% 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. During the Reporting Period, the RSU Trustee purchased an aggregate of 1,300,000 shares at a total cash consideration of approximately HK$13.0 million on market to hold on trust for the benefit of the RSU participants pursuant to the rules of the RSU Scheme and the trust deed entered into between the Company and the RSU Trustee. 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 "Other Information" in the Company's 2021 interim report to be issued in due course.

FINANCIAL RESULTS

The financial information set out below in this announcement represents an extract from the condensed consolidated financial statements, which is unaudited but has been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and by the Audit Committee.

FINANCIAL INFORMATION

The condensed consolidated results of the Group for the six months ended 30 June 2021 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		For the six months ended 30 June	
		2021	2020
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**3,046,890**	1,921,876
Other income	*5*	**59,258**	66,087
Raw materials and consumables used		**(1,134,828)**	(764,251)
Staff costs		**(926,685)**	(636,412)
Property rentals and related expenses		**(140,772)**	(93,144)
Utilities expenses		**(94,897)**	(66,653)
Depreciation and amortization		**(530,986)**	(466,397)
Other expenses	*6*	**(206,974)**	(164,520)
Other gains and losses	*7*	**(75,477)**	(58,937)
Finance costs	*8*	**(49,397)**	(49,594)
Loss before tax	*9*	**(53,868)**	(311,945)
Income tax credit	*10*	**6,936**	59,840
Loss for the period		**(46,932)**	(252,105)
Total comprehensive expense for the period		**(46,932)**	(252,105)
Loss for the period attributable to:			
Owners of the Company		**(49,921)**	(254,942)
Non-controlling interest		**2,989**	2,837
		(46,932)	(252,105)
Total comprehensive expense attributable to:			
Owners of the Company		**(49,921)**	(254,942)
Non-controlling interest		**2,989**	2,837
		(46,932)	(252,105)
Loss per share			
– Basic (RMB cents per share)	*12*	**(4.64)**	(23.84)
– Diluted (RMB cents per share)	*12*	**(4.64)**	(23.84)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	NOTES	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	13	**1,124,452**	1,296,622
Right-of-use assets	13	**1,705,299**	1,971,529
Intangible assets		**1,220**	1,977
Deferred tax assets		**119,250**	86,203
Rental deposits		**182,908**	169,741
Financial assets at fair value through profit or loss ("**FVTPL**")	16	**21,426**	36,315
Interest in a joint venture	23	**10,000**	–
		3,164,555	3,562,387
Current assets			
Inventories	14	**529,278**	690,921
Trade and other receivables and prepayments	15	**380,500**	391,715
Financial assets at FVTPL	16	**734,129**	–
Restricted bank balances		**2,107**	37,609
Bank balances and cash		**463,671**	1,097,324
		2,109,685	2,217,569
Current liabilities			
Trade payables	18	**269,966**	341,225
Accrual and other payables		**553,468**	703,529
Lease liabilities	19	**538,594**	564,756
Income tax payables		**27,088**	45,628
Contract liability	20	**326,373**	301,701
Deferred income		**1,501**	1,966
Borrowings	21	**50,671**	20,000
		1,767,661	1,978,805
Net current assets		**342,024**	238,764
Total assets less current liabilities		**3,506,579**	3,801,151
Non-current liabilities			
Deferred income		**25,664**	26,162
Lease liabilities	19	**1,173,005**	1,400,285
Provisions		**35,011**	34,536
		1,233,680	1,460,983
Net assets		**2,272,899**	2,340,168
Capital and reserves			
Share capital		**176**	175
Share premium and reserves		**2,238,099**	2,318,705
Equity attributable to owners of the Company		**2,238,275**	2,318,880
Non-controlling interest		**34,624**	21,288
Total equity		**2,272,899**	2,340,168

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share Capital	Share premium	Equity-settled share-based payments reserve	Statutory surplus reserve	Treasury share reserve	Retained earnings	Subtotal	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021 (Audited)	**175**	**472,271**	**25,561**	**44,670**	**(68,123)**	**1,844,326**	**2,318,880**	**21,288**	**2,340,168**
(Loss) profit for the period	–	–	–	–	–	(49,921)	(49,921)	2,989	(46,932)
Total comprehensive income (expense) for the period	–	–	–	–	–	(49,921)	(49,921)	2,989	(46,932)
Recognition of equity-settled share-based payments	–	–	5,356	–	–	–	5,356	–	5,356
Exercise of issued share option	1	6,799	(2,052)	–	–	–	4,748	–	4,748
Exercise of Restricted Share Unit ("**RSU**") Scheme	–	(2,170)	(13,021)	–	15,191	–	–	–	–
Payments of dividends *(Note 11)*	–	(30,000)	–	–	–	–	(30,000)	–	(30,000)
Purchase of treasury share under RSU Scheme	–	–	–	–	(10,788)	–	(10,788)	–	(10,788)
Capital injection from non-controlling interest	–	–	–	–	–	–	–	10,347	10,347
Balance at 30 June 2021 (Unaudited)	**176**	**446,900**	**15,844**	**44,670**	**(63,720)**	**1,794,405**	**2,238,275**	**34,624**	**2,272,899**
Balance at 1 January 2020 (Audited)	174	539,824	26,781	36,318	(78,493)	1,850,841	2,375,445	11,395	2,386,840
(Loss) profit for the period	–	–	–	–	–	(254,942)	(254,942)	2,837	(252,105)
Total comprehensive (expense) income for the period	–	–	–	–	–	(254,942)	(254,942)	2,837	(252,105)
Recognition of equity-settled share-based payments	–	–	3,503	–	–	–	3,503	–	3,503
Exercise of issued share option	1	3,679	(1,057)	–	–	–	2,623	–	2,623
Exercise of Restricted Share Unit ("**RSU**") Scheme	–	97	(10,467)	–	10,370	–	–	–	–
Payments of dividends *(Note 11)*	–	(49,624)	–	–	–	–	(49,624)	–	(49,624)
Balance at 30 June 2020 (Unaudited)	175	493,976	18,760	36,318	(68,123)	1,595,899	2,077,005	14,232	2,091,237

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	For six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**616,449**	369,246
Cash flows from investing activities		
Purchase of financial assets at FVTPL	**(1,439,331)**	(1,964,060)
Proceeds from disposal of financial assets at FVTPL	**716,854**	1,278,928
Purchases of property, plant and equipment	**(216,823)**	(152,869)
Acquisition of investment in a joint venture	**(10,000)**	–
Payments for right-of-use assets	**(2,304)**	(1,940)
Utilization of provisions	**(410)**	–
Payments for rental deposits	**(12,261)**	(5,462)
Proceeds from disposal of property, plant and equipment	**180**	94
Purchase of intangible assets	**(277)**	(288)
Placement of restricted bank balances	**–**	(48,682)
Withdrawal of restricted bank balances	**35,502**	–
Repayments of loan receivable	**–**	26,500
Net cash used in investing activities	**(928,870)**	(867,779)
Cash flow from financing activities		
Dividend paid	**(30,000)**	(49,624)
Repayments of leases liabilities	**(307,919)**	(173,423)
Cash received from exercise of share option	**4,748**	2,623
Amounts prepaid to the RSU trustee for purchase of ordinary shares (*Note 22)*	**(12,568)**	(793)
Capital injection from non-controlling interest	**10,347**	–
New bank loans raised	**30,000**	187,928
Interest paid	**(91)**	(1,227)
Repayment from other financing activities	**(13,478)**	–
Net cash used in financing activities	**(318,961)**	(34,516)
Net decrease in cash and cash equivalents	**(631,382)**	(533,049)
Cash and cash equivalents at the beginning of the period	**1,097,324**	785,192
Effect of foreign exchange rate changes, net	**(2,271)**	1,815
Cash and cash equivalents at the end of the period represented by bank balances and cash	**463,671**	253,958

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 14 May 2008. The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman Islands KY1-1111. 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 People's Republic of China ("**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 condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEX**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

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

2.1 Impacts on early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

The Group has early applied the amendment in the current interim period. The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior periods.

3. REVENUE

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

	For the six months ended 30 June 2021			
	Xiabuxiabu	**Coucou**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Type of goods or service				
Restaurant operations	**1,844,945**	**1,126,363**	**–**	**2,971,308**
Sales of the condiment products	**–**	**–**	**48,055**	**48,055**
Sales of other goods	**22,469**	**138**	**4,920**	**27,527**
Total	**1,867,414**	**1,126,501**	**52,975**	**3,046,890**
Geographical markets				
Mainland China	**1,867,414**	**1,082,358**	**52,975**	**3,002,747**
Hong Kong	**–**	**44,143**	**–**	**44,143**
Total	**1,867,414**	**1,126,501**	**52,975**	**3,046,890**

	For the six months ended 30 June 2020			
	Xiabuxiabu	Coucou	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Type of goods or service				
Restaurant operations	1,222,212	593,039	–	1,815,251
Sales of the condiment products	–	–	57,054	57,054
Sales of other goods	17,928	–	31,643	49,571
Total	1,240,140	593,039	88,697	1,921,876
Geographical markets				
Mainland China	1,240,140	563,210	88,697	1,892,047
Hong Kong	–	29,829	–	29,829
Total	1,240,140	593,039	88,697	1,921,876

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.

As disclosed in the Group's annual financial statements for the year ended 31 December 2020, the Group reorganized its internal reporting structure in prior year 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. Accordingly, the segment information for the six months ended June 30, 2020 has been restated to conform with the presentation of the current interim period.

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".

4. OPERATING SEGMENTS *(Continued)*

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

Six months ended 30 June 2021

	Xiabuxiabu	Coucou	Total reportable segments	Others	Adjustments and eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE						
External sales	1,867,414	1,126,501	2,993,915	52,975	–	3,046,890
Inter-segment sales	–	–	–	170,041	(170,041)	–
	1,867,414	1,126,501	2,993,915	223,016	(170,041)	3,046,890
Segment results *(Note)*	63,465	53,809	117,274	7,592	–	124,866
Impairment losses on property, plant and equipment	(87,566)	–	(87,566)	–	–	(87,566)
Impairment losses on right-of-use assets	(31,226)	–	(31,226)	–	–	(31,226)
Gain from changes in fair value of financial assets at FVTPL	11,993	–	11,993	–	–	11,993
Loss on disposal of property, plant and equipment, net	(421)	–	(421)	–	–	(421)
Interest on bank borrowings	(762)	–	(762)	–	–	(762)
Segment profit (loss)	(44,517)	53,809	9,292	7,592	–	16,884
Unallocated loss from changes in fair value of financial assets at FVTPL						(15,230)
Unallocated central administration costs						(51,539)
Unallocated directors' emoluments						(3,983)
Loss before tax						(53,868)

Other segment information

Amounts included in the measure of segment results:

	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated costs	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortization	361,825	158,704	520,529	8,745	1,712	530,986
Gain on termination of lease	(17,833)	–	(17,833)	–	–	(17,833)
Gain on reassessment of lease liabilities	(33,520)	–	(33,520)	–	–	(33,520)
Finance costs	31,973	16,608	48,581	54	–	48,635

4. OPERATING SEGMENTS *(Continued)*

Six months ended 30 June 2020

	Xiabuxiabu	Coucou	Total reportable segments	Others	Adjustments and Consolidated	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE						
External sales	1,240,140	593,039	1,833,179	88,697	–	1,921,876
Inter-segment sales	–	–	–	52,537	(52,537)	–
	1,240,140	593,039	1,833,179	141,234	(52,537)	1,921,876
Segment results *(Note)*	(173,634)	(19,815)	(193,449)	(6,571)	–	(200,020)
Impairment losses on property, plant and equipment	(17,254)	–	(17,254)	–	–	(17,254)
Impairment losses on right-of-use assets	(33,498)	–	(33,498)	–	–	(33,498)
Gain from changes in fair value of financial assets at FVTPL	9,892	–	9,892	–	–	9,892
Loss on disposal of property, plant and equipment, net	(339)	–	(339)	–	–	(339)
Interest on bank borrowings	(876)	(351)	(1,227)	–	–	(1,227)
Segment loss	(215,709)	(20,166)	(235,875)	(6,571)	–	(242,446)
Unallocated loss from changes in fair value of financial liability at FVTPL						(15,112)
Unallocated central administration costs						(50,185)
Unallocated directors' emoluments						(4,202)
Loss before tax						(311,945)

Other segment information

Amounts included in the measure of segment results:

	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated costs	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortization	340,412	116,147	456,559	8,126	1,712	466,397
Gain on termination of lease	(2,795)	–	(2,795)	–	–	(2,795)
Finance costs	33,814	14,553	48,367	–	–	48,367

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/liabilities at FVTPL, (ii) interest on bank borrowings, and (iii) impairment loss and disposal loss on non-current assets.

4. OPERATING SEGMENTS *(Continued)*

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

	30/06/2021	31/12/2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Continuing operations		
Xiabuxiabu	**3,159,046**	3,493,243
Coucou	**1,412,605**	1,517,183
Total reportable segment assets	**4,571,651**	5,010,426

	30/06/2021	31/12/2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Continuing operations		
Xiabuxiabu	**1,910,858**	2,258,713
Coucou	**967,911**	1,083,452
Total reportable segment liabilities	**2,878,769**	3,342,165

5. OTHER INCOME

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	**1,246**	517
– rental deposits	**4,014**	3,302
– loan receivable	**–**	2,148
	5,260	5,967
Promotion service income	**1,357**	1,725
Covid-19 related value-added tax exemption *(Note i)*	**22,086**	30,345
Government grant		
– subsidy received *(Note ii)*	**11,352**	12,512
– released from deferred income	**963**	890
	12,315	13,402
Delivery income for takeout orders	**8,085**	8,200
Others	**10,155**	6,448
	18,240	14,648
	59,258	66,087

Note i: During the current interim period, the Group recognized RMB22,086,000 in respect of Covid-19-related value-added tax exemption provided by the local government in accordance with Cai Shui [2020] No.8 Tax Policy on Supporting Covid-19 Prevention and Control Measures, which came into effect on 1 January 2020. According to Cai Shui [2020] No.8, restaurant operations revenue of the Group is exempted from value-added tax until 31 March 2021.

Note ii: The amounts represent the subsidy received from the local government for the Group's local business development. There were no unfulfilled conditions in the period in which they were recognized.

6. OTHER EXPENSES

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Delivery service fee	**44,396**	37,206
Marketing expenses	**34,276**	33,735
Professional service fee	**31,423**	28,068
Logistics expenses	**26,204**	18,697
Travel and communication expenses	**19,791**	16,300
Office and administrative expenses	**19,641**	12,428
Maintenance fees	**11,926**	7,471
Disability benefits	**1,706**	3,490
Others	**17,611**	7,125
	206,974	164,520

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Losses on disposal of property, plant and equipment, net	**(421)**	(339)
Gain on termination of lease	**17,833**	2,795
Gain on reassessment of lease liabilities *(Note)*	**33,520**	–
Foreign exchange (loss) gain, net	**(4,228)**	1,800
Impairment loss recognized in respect of leasehold improvement	**(87,566)**	(17,254)
Impairment loss on right-of-use assets	**(31,226)**	(33,498)
(Loss) gains from changes in fair value of financial assets at FVTPL	**(3,237)**	9,892
Loss from changes in fair value of financial liability at FVTPL	**–**	(15,112)
Losses on disposal of inventory	**(152)**	(7,221)
	(75,477)	(58,937)

Note: During the current interim period, the Group decided to discontinue a number of loss-making restaurants under Xiabuxiabu brand before the previously expected date of which the Group decided to exercise the termination option according to the lease contract. As a result, the Group remeasure the lease liability to reflect changes to the lease payments. The Group recognised the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, as the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognised the remaining amount of the remeasurement in profit or loss amounted to RMB33,520,000 during the current interim period.

8. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**47,815**	48,367
Interest on bank borrowings	**762**	1,227
Interest on provisions	**820**	–
	49,397	49,594

9. LOSS BEFORE TAX

The Group's loss for the period has been arrived at after charging the following items:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	**302,248**	269,224
Depreciation of property, plant and equipment	**227,704**	195,889
Amortization of intangible assets	**1,034**	1,284
Total depreciation and amortization	**530,986**	466,397
Operating lease rentals in respect of restaurants lease payments		
– variable lease payment *(Note)*	**39,000**	22,772
– Covid-19-related rent concessions *(Note 13)*	**(3,752)**	(22,332)
– short-term lease	**21,737**	11,172
– other rental expenses	**83,787**	81,532
Total property rentals and related expenses	**140,772**	93,144
Directors' emoluments	**3,983**	4,202
Other staff cost	**922,702**	632,210
Total staff cost	**926,685**	636,412

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

10. INCOME TAX CREDIT

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Enterprise income tax ("**EIT**")		
Current tax	**26,111**	19,733
Deferred tax *(Note)*	**(33,047)**	(79,573)
Total income tax recognized in profit or loss	**(6,936)**	(59,840)

Under the EIT Law, withholding tax is imposed on dividends declared and paid to non-PRC resident in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,957 million as at 30 June 2021 (As at 31 December 2020: RMB1,973 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Note:

Further, in the PRC, withholding income tax is generally imposed on assessable profits earned by foreign entities from the PRC. With respect to the trademark license agreement entered into between Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. ("**Xiabu Hong Kong**"), one subsidiary incorporated in Hong Kong, and the PRC subsidiary in 2008, Xiabu Hong Kong has recognized taxable royalty income with reference to a predetermined percentage over the revenue earned by the PRC subsidiary and accordingly the royalty income is subjected to the withholding tax.

In September 2020, the PRC subsidiary entered into an advance pricing arrangement with the relevant PRC tax authority for the years from 2015 to 2021 and with this endorsement obtained, the Group has made accrual and payments for royalty accordingly for the relevant years.

11. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends recognized as distributions during the period	**30,000**	49,624

On 30 March 2021, the Company declared a dividend of RMB0.028 per share with total dividends of RMB30,000,000 to shareholders for the year ended 31 December 2020. The dividend was paid in June 2021.

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.

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 30 June 2021 of RMB0.028 per share, amounting to approximately RMB30.0 million to be paid out of the Company's share premium account has been declared by the directors of the Company.

12. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the period is as following:

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the purposes of calculating basic and diluted earnings per share		
Loss for the period attributable to owners of the Company	**(49,921)**	(254,942)

12. LOSS PER SHARE *(Continued)*

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

	For the six months ended 30 June	
	2021	2020
	'000	*'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,074,798**	1,069,367
Effect of dilutive potential ordinary shares *(Note)*	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	**1,074,798**	1,069,367

Note: The calculation of diluted loss per share for the six months ended 30 June 2021 and 30 June 2020 does not assume the exercise of the Company's share options and restricted shares since their exercise would result in a decrease in loss per share.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, additions to the property, plant and equipment amounted to RMB143,701,000 (six months ended 30 June 2020: RMB129,820,000) consisting of leasehold improvement, machinery, motor vehicles, furniture and fixtures and construction in progress.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 1 to 8 years. The Group is required to make fixed term payments and additional variable payments depending on the restaurants' performance during the contract period. On lease commencement, the Group recognized right-of-use asset of RMB82,813,000 (six months ended 30 June 2020: RMB104,657,000) and lease liability of RMB75,747,000 (six months ended 30 June 2020: RMB102,388,000).

During the current interim period, lessors of the relevant restaurants provided rent concessions that occurred as a direct consequence of the Covid-19 pandemic to the Group through rent reductions ranging from 8% to 40% over one to five months.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS *(Continued)*

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB3,752,000 (six months ended 30 June 2020: RMB22,332,000) were recognized as negative variable lease payments.

Impairment assessment

As a result of the changes in the current economic environment, the Group is experiencing negative conditions including decreased profits, restaurants closures, or declines in share price that indicate that the relevant leasehold improvement and right-of-use assets may be impaired. The management of the Group concluded there was indication for impairment/reversal of impairment and conducted impairment assessment on carrying amounts of the restaurants within the Xiabuxiabu-branded and Coucou-branded segments respectively.

The Group estimates the recoverable amount of the restaurants to which the leasehold improvement and right-of-use assets belong as it is not possible to estimate the recoverable amount of the assets individually. The recoverable amount of each restaurant has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following remaining term with a pre-tax discount rate is 11.60% as at 30 June 2021 (30 June 2020: 11.20%). The annual growth rate of revenue used is from 0% to 3% (30 June 2020: from 0% to 3%), which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. Other key assumptions for the value in use calculated are major costs (include raw materials, consumables used and staff costs) to revenue ratio, which are determined based on the restaurants' past performance and management expectations for the market development.

Based on the result of the assessment, the Group recognized impairment loss of RMB87,566,000 and RMB31,226,000 (six months ended 30 June 2020: RMB17,254,000 and RMB33,498,000) related to leasehold improvement and right-of-use assets respectively. An elimination of impairment loss of RMB7,719,000 and RMB11,553,000 (six months ended 30 June 2020: RMB12,028,000 and RMB3,625,000) was recognized upon disposal of related to leasehold improvement and right-of-use assets respectively, because of the closure of the relevant restaurants.

14. INVENTORIES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Food and beverage	**457,472**	605,106
Other materials	**42,983**	58,592
Consumables	**28,823**	27,223
	529,278	690,921

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The following is an analysis of trade receivables at the end of respective reporting periods:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**24,628**	52,380
Prepaid operating expenses	**40,952**	30,624
Prepayments to suppliers	**2,128**	5,209
Amounts prepaid to the RSU Trustee for purchase of ordinary shares *(Note 22)*	**15,771**	13,991
Prepayments for value-added tax	**260,800**	249,869
Other receivables	**53,102**	56,523
	397,381	408,596
Less: Allowance for credit losses *(Note)*	**(16,881)**	(16,881)
Total trade and other receivables and prepayments	**380,500**	391,715

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 Directors are of the opinion that adequate provision for uncollectible receivables has been made.

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**23,845**	44,740
31 to 90 days	**46**	7,126
91 to 180 days	**737**	514
	24,628	52,380

Details of the impairment assessment are set out in Note 17.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset mandatorily measured at FVTPL:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Short-term investment *(Note i)*	**734,129**	–
Derivative financial instruments *(Note ii)*	**21,426**	36,315
	755,555	36,315
Current	**734,129**	–
Non-current	**21,426**	36,315
	755,555	36,315

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Note i:

As at 30 June 2021, the Group's financial assets at FVTPL amounting to RMB625,555,000 are the financial products issued by banks and investment fund companies which are short-term investments with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return, depending on the market price of underlying financial instruments, including government bonds, central bank bills, trust and other financial assets.

As at 30 June 2021, the Group's financial assets at FVTPL amounting to RMB108,574,000 are the financial products issued by banks which are short-term investments with predetermined or guaranteed minimum return and are principal protected. These financial assets are with expected rates of return, depending on the forward exchange rates and interest rates.

Note ii:

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 30 June 2021, the fair value of the derivative was RMB21,426,000 (As at 31 December 2020: RMB36,315,000), which was recorded as a financial asset measured at FVTPL which represented the fair value changes of the derivative. Further details of the fair value measurements are disclosed in Note 25. The fair value change is recognized in the line items of other gains and losses.

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed consolidated statement of financial position as of 30 June 2021 (including trade receivables, other receivables, rental deposits, restricted bank balances and bank balances).

The management of the Group considers bank balances and restricted bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. In addition, trade receivables in connection with bills settled through payment platforms such as Unionpay, Alipay or WeChat Pay are also with high credit rating and no past due history. The management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers as at 30 June 2021 and 31 December 2020, and accordingly, no loss allowance was recognized as at 30 June 2021 and 31 December 2020.

In determining the ECL for rental deposits and other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. Except for the receivable that was identified as credit impaired as described in Note 15, the management believes that there has been no significant increase in credit risk of the rest of rental deposits and other receivables since initial recognition and the credit impairment was assessed based on 12m ECL. The management concluded that the ECL for those receivables and deposits are insignificant for the six months ended 30 June 2021 and for the year ended 31 December 2020.

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

18. TRADE PAYABLES

An aged analysis of the Group's trade payables, as at the end of the reporting period, based on the goods received dates, is as follows:

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**250,598**	332,597
61 to 180 days	**13,888**	2,023
181 to 1 year	**1,396**	595
Over 1 year	**4,084**	6,010
	269,966	341,225

19. LEASE LIABILITIES

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Lease liabilities payable:		
Within one year	**538,594**	564,756
Within a period of more than one year but not exceeding two years	**462,473**	497,093
Within a period of more than two year but not exceeding five years	**622,028**	787,466
Within a period of more than five years	**88,504**	115,726
	1,711,599	1,965,041
Less: Amount due for settlement with 12 months shown under current liabilities	**(538,594)**	(564,756)
Amount due for settlement after 12 months shown under non-current liabilities	**1,173,005**	1,400,285

The weighted average incremental borrowing rates applied to lease liabilities range from 3.60% to 5.64% (As at 31 December 2020: 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	**US Dollars**
	RMB'000	*RMB'000*
As at 30 June 2021 (Unaudited)	46,918	236
As at 31 December 2020 (Audited)	55,068	65

20. CONTRACT LIABILITY

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Customer loyalty programme *(Note i)*	**13,617**	16,688
Prepaid cards and advance from customers *(Note ii)*	**312,756**	285,013
	326,373	301,701

Notes:

i. The contract liability of customer loyalty programme was issued in January 2017, and recognized along with the restaurant services provided during each reporting period. As at 30 June 2021, the balance of RMB13,617,000 (as at 31 December 2020: RMB16,688,000) presents the unredeemed performance obligation relating to the customer loyalty programme.

ii. Prepaid cards issued by the Group, which can be utilised in the future consumption in restaurants by the customers, are recognized as contract liabilities. Advance from customers for which the services have not been rendered are recognized as contract liabilities until the relevant services are performed.

21. BORROWINGS

During the current interim period, the Group didn't obtain new pledged bank loans, while during the six months ended 30 June 2020, the Group obtained new pledged bank loans amounting to RMB133,605,000. As at 30 June 2021, the loans principal and interest are amounting to RMB20,000,000 and RMB671,000 (As at 31 December 2020: RMB20,000,000 and Nil) respectively. The loans carried interest at fixed market rates of 3.15% and are repayable in instalments over a period of one year. The proceeds were used to support the operation of the Group.

During the current interim period, the Group discounted bills receivables with recourse in an aggregate amount of RMB30,000,000 (six months ended 30 June 2020: RMB54,323,000) to banks for short term financing. As at 30 June 2021, the associated borrowings are amounting to RMB30,000,000 (As at 31 December 2020: Nil).

22. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(1) SHARE OPTION SCHEMES

The Company adopted a share option scheme for the grant of options to eligible participants on 28 August 2009 (the "**Pre-IPO Share Incentive Plan**"). In accordance with the terms of the scheme, executives and senior employees may be granted options to purchase ordinary shares of the Company when there is a qualified IPO. The share options granted under the Pre-IPO Share Incentive Plan were granted in four different tranches on 31 August 2009, 17 May 2011, 24 December 2012 and 21 March 2014, respectively.

The range of the exercise price about the share options at the end of current interim period:

Share option tranche	Number of options granted	Grant date	Expiry date	Exercise price	Fair value at grant date
				(RMB)	*(RMB per share)*
Share option tranche A	4,233,000	31/08/2009	31/08/2019	0.84	0.33
Share option tranche B	11,795,228	17/05/2011	17/05/2021	1.79	0.90
Share option tranche C	9,670,361	24/12/2012	24/12/2022	1.84	1.10
Share option tranche D					
Schedule I	3,207,461	21/03/2014	21/03/2024	2.78	1.19
Schedule II	5,717,140	21/03/2014	21/03/2024	2.78	1.22
Schedule III	6,664,542	21/03/2014	21/03/2024	2.78	1.24

The table below discloses movement of the Company's share options held by the Group's employees:

	Number of share options
Outstanding as at 1 January 2021	3,061,064
Forfeited during the period	(197,919)
Exercised during the period	(1,677,544)
Outstanding as at 30 June 2021	1,185,601

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimate, if any, is recognized in profit or loss, with a corresponding adjustment to the equity-settled share-based payments reserve.

The Group recognized the total credit of RMB66,000 for the period ended 30 June 2021 while the Group recognized the total expense of RMB191,000 for the period ended 30 June 2020 in relation to share options granted by the Company.

22. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(2) RESTRICTED SHARE UNIT SCHEME

On 28 November 2014, a RSU Scheme of the Company was approved and adopted by the shareholders of the Company. The RSU Scheme will be valid and effective for a period of ten years, commencing from the listing date, being 17 December 2014 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**").

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) must not exceed 42,174,566 shares, being 4% of the total number of shares in issue as at the listing date (the "**RSU Scheme Limit**"). The RSU Scheme Limit may be refreshed from time to time subject to prior approval from the shareholders in general meeting, provided that the total number of shares underlying the RSUs granted following the date of approval of the refreshed limit (the "**New Approval Date**") under the limit as refreshed from time to time must not exceed 4% of the number of shares in issue as of the relevant New Approval Date. The purpose of the RSU Scheme is to incentivize directors of the Company, senior management and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of the Group.

The Company has appointed Computershare Hong Kong Trustees Limited as the RSU Trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme.

i. Purchase of treasury share under the RSU Scheme

During the six months ended 30 June 2021, the RSU Trustee acquired 1,300,000 shares with consideration of HK$13,023,000, equivalent to approximately RMB10,788,000 from the market while during the year ended 30 June 2020, the Company did not acquire its existing shares from the market. The shares were held on trust for the benefit of the RSU participants pursuant to the RSU Scheme and the trust deed. The shares so purchased were used as awards for relevant participants in the RSU Scheme.

As at 30 June 2021, an amount of RMB15,771,000 (as at 31 December 2020: RMB13,991,000) was held by the RSU Trustee to purchase ordinary shares from the market in the forthcoming period according to the instruction of the Company.

22. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(2) RESTRICTED SHARE UNIT SCHEME *(Continued)*

ii. Details of granted RSUs

RSUs tranche	Number of awarded shares	Grant date	Expiry date	Fair value at grant date	Vesting period
				HKD	
RSUs tranche A	2,910,920	17/11/2016	17/11/2026	4.83	25% for each of 4 years after 01/04/2018
RSUs tranche B	3,993,190	08/05/2017	08/05/2027	6.99	25% for each of 4 years after 01/04/2019
RSUs tranche D	33,378	31/01/2018	31/01/2028	14.98	25% for each of 4 years after 01/04/2019
RSUs tranche E	1,000,981	14/12/2018	14/12/2028	11.20	25% for each of 4 years after 01/04/2020
RSUs tranche F	44,326	22/01/2019	22/01/2029	11.28	25% for each of 4 years after 01/04/2019
RSUs tranche G	1,346,707	30/09/2020	30/09/2030	9.49	25% for each of 4 years after 01/04/2021
RSUs tranche H	4,407,078	30/09/2020	30/09/2030	9.49	25% for each of 4 years after 01/04/2022

The grantees of the RSUs are not required to pay for the grant of any RSUs under the RSU Scheme or for the exercise of the RSUs. The RSUs shall be exercisable over a period of ten years commencing from the date on which the RSUs are granted and the RSU would be forfeited when the staff resigned before the vesting day.

22. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

(2) RESTRICTED SHARE UNIT SCHEME *(Continued)*

ii. Details of granted RSUs *(Continued)*

The following table discloses the movement of the Company's RSUs granted to the selected participants for the period ended 30 June 2021 and outstanding as at 30 June 2021:

	Number of Awarded Shares			
	Outstanding at 1 January 2021	**Exercised during the period**	**Forfeited during the period**	**Outstanding at 30 June 2021**
RSU tranches				
RSUs granted to				
Directors	5,548,406	(1,056,409)	(1,899,955)	2,592,042
Other key management personnel	141,276	(19,929)	–	121,347
Other staff	3,051,862	(941,014)	(665,962)	1,444,886
Total	8,741,544	(2,017,352)	(2,565,917)	4,158,275

At the end of each interim period, the Group revises its estimates of the numbers of RSUs that are expected to vest ultimately. The impact of the revision of the estimate, if any, is recognized in profit or loss, with a corresponding adjustment to the equity-settled share-based payments reserve.

The Group recognized the total expense of RMB5,422,000 for the period ended 30 June 2021 (six months ended 30 June 2020: RMB3,312,000) in relation to RSUs granted by the Company.

23. COMMITMENTS

	As at 30 June 2021	As at 31 December 2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment *(Note i)*	**9,134**	2,285
Capital contribution to a joint venture *(Note ii)*	**39,000**	–

Notes:

(i) Except for the capital commitments disclosed above, as at 30 June 2021, the Group entered into several new leases contracts for retail stores which have not yet commenced, with average non-cancellable periods ranging from 1 to 6 years, excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period amounted to RMB20,407,000.

(ii) On 8 May 2021, the Group entered into an agreement on the formation of a joint venture (the "**JV Agreement**") with Qingdao Richen Food Co., Ltd.(青島日辰食品股份有限公司)("**Qingdao Richen**"), pursuant to which an entity will be formed and held by the Group and Qingdao Richen as to 50% and 50%, respectively. Pursuant to the JV Agreement, the Group has injected RMB10,000,000 in June 2021 and committed an additional capital contribution to the entity in the amount of RMB39,000,000.

24. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Other than as disclosed elsewhere in these condensed consolidated financial statements, the Group has following transactions and balances with related parties:

Relationship	Nature of transactions	For the six months ended 30 June 2021	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Related companies controlled by the Controlling Shareholder	Purchase of food ingredients *(Note)*	**152**	40,463
	Sales of food ingredients	**–**	59
	Royalty fee	**12,666**	6,406
	Short-term lease expense	**600**	600

Relationship	Nature of balances	As at 30 June 2021	As at 31 December 2020
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Related companies controlled by the Controlling Shareholder	Trade and other receivables and prepayments	**45**	39
	Accrual and other payables	**1,910**	2,534

Note: As disclosed in announcement regarding continued connected transaction dated 11 January 2021, the Group has decided to procure the ingredients directly from the suppliers instead of procuring through the related company. Accordingly, the amount of purchasing of food ingredients during the current interim period decreased significantly, which only represent sporadic procurement from the related company occurring in January.

(b) Remuneration of key management personnel of the Group

	For the six months ended 30 June 2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,233**	1,230
Post-employment benefit	**23**	23
Equity-based share-based payments	**(2,180)**	921
	(924)	2,174

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Fair value as at** *(RMB'000)*		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	30 June 2021	31 December 2020				
Financial assets at FVTPL	**625,555**	N/A	Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa
Financial assets at FVTPL	**50,513**	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates (from observable yield curves in holding period).	N/A	N/A
Financial assets at FVTPL	**58,061**	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves in holding period).	N/A	N/A
Financial assets at FVTPL	**21,426**	36,315	Level 2	Discounted cash flow. Future cash flows are estimated based on the quoted bid prices of relevant listed shares held by the Trust in an active market and the total cash out that arising from the Trust.	N/A	N/A

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

A 5% decrease in the estimated return rates holding all other variables constant would decrease the carrying amount of the short-term investments by RMB278,000 (31 December 2020: Nil).

A 5% increase in the estimated return rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB278,000 (31 December 2020: Nil).

There were no transfers between Level 1, level 2 and level 3 during the reporting period.

Reconciliation of Level 3 fair value measurement of financial assets

The following table represents the reconciliation of Level 3 Measurements of the financial assets at FVTPL:

	RMB'000
At 1 January 2020 (audited)	71,296
Purchase of financial assets at FVTPL	1,804,060
Redemption of financial assets at FVTPL	(1,278,928)
Net gains on financial assets at FVTPL	8,618
At 30 June 2020 (unaudited)	605,046
At 1 January 2021 (audited)	–
Purchase of financial assets at FVTPL	1,170,500
Redemption of financial assets at FVTPL	(555,915)
Net gains on financial assets at FVTPL	10,970
At 30 June 2021 (unaudited)	625,555

Fair value of the financial assets and liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements approximate their fair values.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Save as disclosed in the paragraph headed "Employee and staff costs" in this announcement in relation to the purchase of shares by the RSU Trustee, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2021.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Based on the current liquidity position of the Company and Directors' current outlook for the Company's financial performance in the second half of the year and overall financial position, the Group plans to pay an interim dividend of RMB0.028 per share, amounting to approximately a total of RMB30.0 million for the six months ended 30 June 2021 (the "**2021 Interim Dividend**"). The planned dividend payout ratio will be subject to the full year financial performance and business plan of the Company and market outlook early next year, therefore a final dividend for the full year of 2021 may or may not be paid. The 2021 Interim Dividend is declared in Renminbi and will be 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 Hong Kong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 12 October 2021.

The register of members of the Company will be closed from 8 October 2021 to 12 October 2021 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2021 Interim Dividend, all transfers, 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 7 October 2021. The 2021 Interim Dividend will be paid on or about 22 October 2021 to those shareholders whose names appear on the register of members of the Company on 12 October 2021.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 28 July 2021, Ms. Zhao Yi was removed as an executive Director. For details of Ms. Zhao Yi's removal, please refer to the announcements dated 20 May 2021, 14 June 2021, 26 July 2021 and 28 July 2021 and the circular dated 8 July 2021 issued by the Company. Other than an application for ruling by Ms. Zhao Yi that her employment contract with Xiabuxiabu Catering Management Co., Ltd. (呷哺呷哺餐飲管理有限公司) ("**Beijing Xiabu**") , an indirect wholly-owned subsidiary of the Company, as vice president should remain effective, the Board would also like to update the Company's shareholders that Ms. Zhao Yi has recently requested in a labour arbitration against Beijing Xiabu in Beijing for compensation of not more than RMB1.0 million in relation to the termination of her employment contract with Beijing Xiabu. The Company has engaged legal adviser to handle the arbitration matter.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2021 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2021, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules, except for a deviation from code provision A.2.1 of the Code which states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

As Mr. Ho Kuang-Chi, the founder of the Company, is familiar with and has extensive knowledge and experience in the Group's business, the Board considers that vesting the roles of both chairman of the Board and chief executive officer in the same person provides the Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy. The balance of power and authority is adequately ensured by the operations of the senior management and the Board, which comprises experienced and high-caliber individuals. As at the date of this announcement, the Board comprises an executive Director (i.e. Mr. Ho Kuang-Chi), two non-executive Directors (and one alternate Director) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the Company's structure from time to time in light of the prevailing circumstances.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2021.

The Company's employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company relevant employees was noted by the Company during the six months ended 30 June 2021.

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 Interim Results together with the Company's independent auditors, Deloitte Touche Tohmatsu for the six months ended 30 June 2021.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in the Directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of 2020 annual report of the Company are set out below:

Mr. Hon Ping Cho Terence resigned as an independent non-executive director of Jimu Group Limited (stock code: 8187) with effect from 25 May 2021. Ms. Zhao Yi was removed as an executive Director with effect from 28 July 2021.

Save as disclosed above, these is no other change in the directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.xiabu.com). The interim report of the Company for the six months ended 30 June 2021 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange 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 August 2021

As at the date of this announcement, the Board comprises Mr. HO Kuang-Chi as executive Director; 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.