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Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
呷哺呷哺餐飲管理(中國)控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 520)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	For the year ended 31	
	December	
	2021	2020
	RMB'000	RMB'000
	(audited)	(audited)
Revenue	6,147,262	5,455,246
Segment results ⁽¹⁾	144,155	217,427
(Loss) profit before tax	(213,653)	67,177
Total (loss) profit for the year	(283,133)	11,485
Total (loss) profit for the year attributable to owners of the Company	(293,212)	1,837

(1) The measure used for reporting segment result is the adjusted segment profit before (i) certain gain from changes in fair value of financial assets at FVTPL; (ii) interest on bank borrowings; (iii) impairment loss and disposal loss on non-current assets; (iv) impairment loss on other receivables; and (v) loss on disposal of property, plant and equipment, net and closure of restaurants.

PROPOSED FINAL DIVIDEND

Final dividend of RMB0.028 per share, amounting to approximately a total of RMB30.0 million for the year ended 31 December 2021, is proposed.

The board of directors (the “**Board**”) of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021.

BUSINESS REVIEW AND OUTLOOK

Overview

In 2021, the Group opened 52 Xiabuxiabu restaurants and 43 Coucou restaurants. The Group also closed down 229 Xiabuxiabu restaurants. These restaurants were closed down as they were primarily loss making, many operated in locations that were mismatch to the “value for money” model which Xiabuxiabu stood for and models that were not able to portray the brand correctly. The Group believes that with this change, the Company will be able to move back to the right track going forward.

As at 31 December 2021, the Group owned and operated 841 Xiabuxiabu restaurants in 132 cities over 21 provinces and autonomous regions and in three centrally administered municipalities in China, namely Beijing, Tianjin and Shanghai.

The Group also owned and operated 183 Coucou restaurants in 42 cities over 19 provinces, in three centrally administered municipalities, namely Beijing, Tianjin, Shanghai and in Hong Kong.

The Group’s revenue increased by 12.7% from RMB5,455.2 million in 2020 to RMB6,147.3 million in 2021. Following the development of the Pandemic, the central government and local governments in China implemented control measures and restrictions on consumer establishments during different times throughout 2021, which greatly affected the Group’s business. In order to comply with the governmental measures and to ensure the safety of its staff and customers, the Group gradually suspended a number of its restaurant operations.

Industry Review

In 2021, China was able to better control the Pandemic through dynamic zero measures and the growth of China's domestic economy was able to recover gradually and achieved GDP of 8.1%, better than the 6% target which China set in the beginning of 2021. At the same time, in 2021, the actual per capita disposable income of urban and rural areas grew by 9.1% from 2020. In 2021, the national revenue from catering industry was RMB4,689.5 billion, a turnaround from negative to positive 18.6% compared with 2020, but still had not recovered to the level of 2019 prior to the Pandemic. After the outbreak of Pandemic, the consumers started to change their spending behaviors to utilize online portal when ordering. It is believed that digitalization will continue to play an important part in shaping the future of catering industry. To make use of the big data where the Group is able to capture the trends and what the new generations want will continue to help the Company to develop the appropriate products to match the likes and needs of its customers. Customers are also paying more attention to the physical design and cleanliness of dining environment, food safety and whether sufficient pandemic control measures have been implemented at the restaurants. In the meantime, complying with the regulatory measures is also very important and the Group will ensure that it follows the policies such as the "clean plate" campaign which will also likely change consumption behavior in the future. The Group will continue to focus on these areas to integrate the online and offline opportunity as it continues to upgrade its restaurants, and continue to ensure the Group provides a safe and hygienic, value for money dining experience for its customers. Last but not least with regards to the hotpot industry, there were 50,762 new hotpot companies registered in 2021 but the turnover from the hotpot industry had not yet recovered to 2019 level. The Group eagerly look forward to the easing of the Pandemic where business and lifestyles can resume as normal.

Overall Business and Financial Performance

The Group's restaurant network

In 2021, the Group opened a total of 95 new restaurants, including 52 Xiabuxiabu restaurants and 43 Coucou restaurants. In addition, the Group closed a total of 229 Xiabuxiabu restaurants in 2021 as many of the restaurants that were opened by the previous management were in locations that were not able to present the Xiabuxiabu "value for money" branding image and some were closed due to various commercial reasons, including the impact of the Pandemic. In aggregate, the Group's total number of restaurants in operation was 1,024 in 2021.

The table below sets forth the number of the Group’s Xiabuxiabu restaurants (“#”) by region as at the dates indicated:

	As at 31 December			
	2021		2020	
	#	%	#	%
Tier 1 cities ⁽¹⁾	324	38.5	376	35.4
Tier 2 cities ⁽²⁾	302	35.9	431	40.6
Tier 3 cities ⁽³⁾	215	25.6	254	24.0
Total	841	100.0	1,061	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 and tier 2 cities mentioned in (1) and (2) above.

Since the launching of Coucou in 2016, this brand had been very successful and well perceived by customers and the Group had been riding on this opportunity to expand the footprint of the Coucou rapidly. In 2021, the Group had opened 43 new restaurants.

The table below sets forth the number of the Group’s Coucou restaurants (“#”) by region as at the dates indicated:

	As at 31 December			
	2021		2020	
	#	%	#	%
Tier 1 cities ⁽¹⁾	72	39.3	60	42.9
Tier 2 cities ⁽²⁾	99	54.1	75	53.6
Tier 3 cities ⁽³⁾	4	2.2	1	0.7
Outside mainland China ⁽⁴⁾	8	4.4	4	2.8
Total	183	100.0	140	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 Hefei, Xiamen, Fuzhou, Foshan, Dongguan, Shijiazhuang, Zhengzhou, Harbin, Wuhan, Changsha, Suzhou, Nanjing, Wuxi, Shenyang, Dalian, Jinan, Taiyuan, Xian, Kunming, Hangzhou, Wenzhou, Jiaxing, Changzhou, Zhuhai, Nanning, Nantong, Ningbo, Chengdu, Guiyang, Lanzhou, Quanzhou and Xuzhou.

(3) Yangzhou, Putian, Shantou and Taizhou.

(4) Hong Kong SAR.

Key operational information for the Group's Xiabuxiabu restaurants

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

	For the year ended	
	31 December	
	2021	2020
Net revenue (in RMB thousands)		
Tier 1 cities ⁽¹⁾	1,649,622	1,523,957
Tier 2 cities ⁽²⁾	1,183,808	1,222,284
Tier 3 cities and below ⁽³⁾	669,177	713,717
Total	3,502,607	3,459,958
Average spending per customer (RMB)⁽⁴⁾		
Tier 1 cities ⁽¹⁾	65.6	65.2
Tier 2 cities ⁽²⁾	60.0	60.3
Tier 3 cities and below ⁽³⁾	60.1	60.1
	62.5	62.3
Seat turnover rate (x)⁽⁵⁾		
Tier 1 cities ⁽¹⁾	2.7	2.7
Tier 2 cities ⁽²⁾	2.2	2.1
Tier 3 cities and below ⁽³⁾	1.9	2.0
	2.3	2.3

(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 and tier 2 cities mentioned in (1) and (2) above.

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

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

In 2021, revenue contribution from Xiabuxiabu restaurants continued to be the main source of revenue of the Group, and contributed 57.3% as a percentage of the Group's total revenue. Xiabuxiabu's business had been severely affected by the Pandemic, as Xiabuxiabu had restaurants operations in areas which was significantly affected by the Pandemic. Seat turnover was similar when compared to 2020 primarily as a result of better government implemented social distancing and restaurant suspension measures to contain the Pandemic. Therefore, customers were able to gradually dine out at restaurants. In the meantime, the Group fully utilized delivery channel to deliver fresh ingredients and hotpot to generate sales and utilize social media and e-commerce platforms to create an online platform to recover some of the business to minimize the loss from the disruption of operations in some of its operations. On the other hand, the average spending per customer was RMB62.5 in 2021 when compared to RMB62.3 in 2020, primarily due to the Group's continuous effort to improve product mix, the regular launch of new products such as sets and increase in the sales of delivery and new products.

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

	For the year ended 31 December	
	<u>2021</u>	<u>2020</u>
Number of same-store*		
Tier 1 cities.....	304	
Tier 2 cities.....	296	
Tier 3 cities and below.....	178	
Total.....	<u>778</u>	
Same-store sales (in RMB million)		
Tier 1 cities.....	1,210.5	1,213.6
Tier 2 cities.....	741.7	853.5
Tier 3 cities and below.....	417.7	518.3
Total.....	<u>2,369.9</u>	<u>2,585.4</u>
Same-store sales growth (%)		
Tier 1 cities.....	(0.3)	
Tier 2 cities.....	(13.1)	
Tier 3 cities and below.....	(19.4)	
	<u>(8.3)</u>	

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

Key operational information for the Group's Coucou restaurants

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

	For the year ended 31 December	
	2021	2020
Net Revenue (in RMB thousands)		
Tier 1 cities ⁽¹⁾	1,077,901	818,494
Tier 2 cities ⁽²⁾	1,136,541	795,940
Tier 3 cities ⁽³⁾	20,992	7,027
Outside mainland China ⁽⁴⁾	123,885	66,342
Total	<u>2,359,319</u>	<u>1,687,803</u>
Average spending per customer (RMB)⁽⁵⁾		
Tier 1 cities ⁽¹⁾	145.6	139.1
Tier 2 cities ⁽²⁾	129.7	129.9
Tier 3 cities ⁽³⁾	129.6	112.7
Outside mainland China ⁽⁴⁾	276.7	274.1
	<u>140.6</u>	<u>137.0</u>
Table turnover rate (x)⁽⁶⁾		
Tier 1 cities ⁽¹⁾	2.8	2.6
Tier 2 cities ⁽²⁾	2.4	2.5
Tier 3 cities ⁽³⁾	2.4	1.6
Outside mainland China ⁽⁴⁾	2.8	2.3
	<u>2.5</u>	<u>2.5</u>

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Hefei, Xiamen, Fuzhou, Foshan, Dongguan, Shijiazhuang, Zhengzhou, Harbin, Wuhan, Changsha, Suzhou, Nanjing, Wuxi, Shenyang, Dalian, Jinan, Taiyuan, Xian, Kunming, Hangzhou, Wenzhou, Jiaxing, Changzhou, Zhuhai, Nanning, Nantong, Ningbo, Chengdu, Guiyang, Lanzhou, Quanzhou and Xuzhou.

(3) Yanzhou, Putian, Shantou and Taizhou.

(4) Hong Kong SAR.

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

(6) For the dine-in part, this is calculated by dividing total sales number by total Coucou restaurant operation days and average table count of Coucou restaurants during the year. For the delivery part, the delivery sales that equals to the average dine-in customer spending is regarded as one dine-in customer.

In 2021, the Group continued with its expansion with Coucou brand and opened 43 new restaurants, the sales contributed increased by 39.3% from RMB1,689.1 million in 2020 to RMB2,353.7 million in 2021. The table turnover rate of Coucou restaurants stabilized at 2.5x in 2021 compared to 2020, primarily due to better implementation of Pandemic measures by the government. On the other hand, average spending per customer of Coucou restaurants increased slightly from RMB137.0 in 2020 to RMB140.6 in 2021. Such increase was primarily driven by the launching of new products and drinks to uplift the sales.

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

	For the year ended 31 December	
	<u>2021</u>	<u>2020</u>
Number of same-store*		
Tier 1 cities.	57	
Tier 2 cities.	65	
Tier 3 cities.	1	
Outside mainland China	4	
Total.	<u>127</u>	
Same-store sales (in RMB million)		
Tier 1 cities.	784.9	751.9
Tier 2 cities.	684.6	746.3
Tier 3 cities.	5.5	5.1
Outside mainland China	77.6	63.9
Total.	<u>1,552.6</u>	<u>1,567.2</u>
Same-store sales growth (%)		
Tier 1 cities.	4.4	
Tier 2 cities.	(8.3)	
Tier 3 cities.	7.8	
Outside mainland China	21.4	
	<u>(0.9)</u>	

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

Outlook for 2022

Business Outlook

In 2021, the outbreak of Omicron still affected the world, affecting the lifestyles of many citizens and the global economy. China continued to enforced strict Pandemic control adopting “dynamic zero Pandemic control” policies and these strict measures allowed China to be one of the first countries to recover from the haze of the Pandemic. The Group believes the Pandemic policies implemented by the Central Government will reduce the impact of the Pandemic and help business to regain momentum in 2022 as compared to 2021. In the 14th Five-Year Plan, the Central Government proposed a domestic and international dual-circulation strategy, to control housing prices to reduce the household debt, using domestic demand as the core driving force for driving consumption. In the latest National People’s Congress, the government has announced the following economic targets for 2022: 1) GDP of 5.5%; 2) consumer price to increase by around 3.0%; 3) food crop production to be above 1.3 trillion kg; and 4) tax refund/reduction of RMB2.5 trillion. The Group firmly believes that some of these targets will be followed by policies implementation and will benefit various industries. The Group’s main strategy will be to continue to emphasize the quality and safety of food ingredients, improvise the dining experience, promote the branding to synchronize with customers. The future trend of catering industry will be dominated by a few big chains of the industry and industry consolidation. These big chains will continue to innovate and will shape the development of the catering industry. The Group believes that the diversified platforms of the Company with Xiabuxiabu and Coucou restaurants, together with online delivery service and condiment company will form a strong synergy effect and help the Group’s overall business to bloom vigorously.

Going into 2022, the Group will continue to implement the following strategies:

Expansion strategy

In order to maintain market share in this competitive market, the Group will continue to maintain its pace of expansion, at the same time overcome the problem of simply focusing on the number of restaurants in the past and focus on ensuring that it opens quality restaurants. The Group started to adjust its expansion plans since 2021, by setting forth a higher standard when choosing new opening locations, using big data and optimising the incentive system to motivate its development team. In 2022, the Group will continue to implement the same strategy and focus more on rental negotiations and use big data to help evaluate the new locations to enhance the efficiencies of these new openings. At the same time, the Group plans to continue to increase the sales per unit area to shorten the investment payback period of these restaurants. After such adjustments, Xiabuxiabu would re-establish the core competitiveness of its brand. Historically, Xiabuxiabu restaurants are primarily located in the North, resulting in an unbalanced operational layout. In 2022, the Group will focus openings in Eastern and Southern part of China to fully deploy the commercial real estate development plan. In 2022, Xiabuxiabu will adapt the dual central office model whereby the Group will not only have one main office in Beijing as in the past but will have a new second commanding office to facilitate its expansion strategy towards the East and Southern part of China.

In 2022, the Company will implement “expansion into the East and entering the South” strategy. In the next three years, Eastern and Southern China will be the core expansion areas for the Group’s future expansion, including the output of the operating personnel to support the aggressive development in these regions. Coucou which has built a brand on the foundations from the tier 1 cities, will continue to ride on this strategy to enhance its branding power to penetrate into not only tier 1 but tier 2 and gradually tier 3 cities as well.

Branding strategy

The Group has redesigned its branding strategy to focus on certain target customer group, focusing on the Generation Z who are the major group of consumers nowadays. The Group strives to understand their preferences and spending habits in order to deploy appropriate and effective branding, marketing and promotional strategies to attract these target customers. The rebranding Xiabuxiabu’s logo represents a more vibrant, upscale, fashionable and comfortable image to connect the brand with the younger customers so that the customers would associate dining at restaurants as a place where they can enjoy a “value for money” experience at a comfortable and fashionable environment. As time changes, consumers started to value brand image and marketing of restaurants, and the Group sees the need to put more efforts into promotion of the Xiabuxiabu brand. The Group plans to utilize both online and offline channels to enhance Xiabuxiabu’s exposures through marketing on WeChat, TikTok and collaboration with key opinion leaders (“KOLs”). The Group will continue to reinvigorate the Xiabuxiabu brand to increase customer loyalty and to live up to the motto of “value for money”. The Group is confident that this will be a successful campaign to get the new brand image through to its customers.

In 2022, Coucou will continue to strengthen its branding power and target the “new middle class”, to design menu items and create pricing and promotional strategies targeting the consumption habits and dietary preferences of consumers in different cities to create successful marketing and promotional campaign, in turn building a stronger brand image and reputation to build a stronger bond with its customers. The alignment of the new membership program later this year will help to increase the customer flow between the Group and will be able to drive through traffic and to increase the restaurant’s operating profit.

Product strategy

The Group will continue to take advantage of its strong supply chain network in different regions, add products of different price range, to offer products that can satisfy the various needs of its consumers, especially the younger generation. With a total of over 1,000 Xiabuxiabu and Coucou restaurants, the Group is expected to continue to benefit from the economies of scale and take advantage of its nationwide restaurant network. In 2022, the Group plans to launch more new set meals to target these consumers. The Group will continue to offer “niched products” and “core products”, to offer more diversified products for beef and lamb. The Group will continue to strengthen the upstream supply chain and its ability to offer premium products, such as the Ximeng lamb, which has become the unique signature product of Xiabuxiabu but at the same time will also introduce other lamb varieties that are sourced from other countries such as New Zealand into the menu. Another example is to continue to upgrade the existing product range, such as increasing the number of items in veggie platter from 15 to 20, allowing customers to eat a healthy and satisfying meal. In addition, the Group will continue to launch “KOL products” to expand its product offerings to appeal to consumers of young generation such as “Mao Xue Wang” set and “cheese shrimp ball” set in conjunction with products that attracts children such as “hippo cake”, “chewy beef tendon balls”, “cute fish cakes” that allow children to be able to eat and appreciate the look of the Group’s products at the Group’s restaurants. Xiabuxiabu restaurants will also roll out “seasonal products”, such as promoting different products in different seasons to satisfy the different needs of its customers. As the operational scale expands, the Group plans to develop and offers products of different price range in different regions. Through continuous improvement of its product mix, the Group expects to increase its gross profit. The Group will continue to offer diversified menu and focus on maintaining the vitality of the brand as well as to ensure the quality of food and cost efficiency. To achieve this, the Group will 1) regularly launch new menu items to provide customers with a refreshing taste of the brand, such as fried food and braised dishes, 2) develop marketing campaign when new shop opens, 3) launch new cross over IP products with external partners, 4) collaborate with entertainment industry and sport events and 5) develop new seasonal products according to various Chinese festivals such as Chinese New Year, Dragon Boat festival and mid-Autumn festival to gain more exposure for the Group and to develop different sources of revenue stream.

For the Group’s premium brand Coucou, new popular soup base with meat launched by Coucou, such as “sour vegetable with pork”, “crab roe with yellow fish”, “fish maw chicken”, “Taiwanese spicy” and “pork belly chicken” have been introduced into the menu and become signature products of Coucou and were very well received by customers. New tea products such as “white pearl Pu’er milk tea”, “yellow Ceylon black tea” and “Ceylon black tea with chocolate” have all become very popular products and more popular products will be launched throughout 2022. Going forward, the Group’s development team will continue to combine different dietary preferences of different regions and local dining culture to develop nutritious signature products that are healthy, aesthetically pleasing and delicious to the customers.

The Group will also take steps to further develop delivery products to ensure better synergy with dine-in business. In the last two years when Pandemic was affecting the restaurants operations, online delivery business has been helping to recover some of the sales loss. In 2021, the sales contribution from delivery business gradually increased to 10.1% of Xiabuxiabu total revenue. In 2022, the Group will continue to roll out new product range such as “curry seafood” soup base, “ma-la spicy luncheon meat and fresh shrimp” soup base, and also launch seasonal soup base such as “lamb spine favored” soup base throughout different seasons of the year.

New model strategy

In 2022, the Group is keen to provide a fair and reasonable menu back to the market by focusing on attracting the younger generation, it will go further to explore the core competitiveness and value of promoting individual pots by bringing back the “value for money” set back to the customers. After the Pandemic, many started to be more aware of eating healthy and hygienically, the Group believes individual pot is more than dining alone, it is a form of self-expression and a statement self-identity. Customers can enjoy their favorite soup base while sharing the ingredients with others in a safe and hygienic manner, which is highly in line with the current popular culture of respecting people’s individuality.

In order to convey such message, the Group has re-launched the “value for money” model in its restaurants in the second half of 2021. This model features an affordable, simple, individualistic model with price range around RMB50-60 which is affordable amongst the young generation, combining with the new restaurant design, new set menu, utensils and table settings, the Group believes that customers will enjoy and appreciate a more well-rounded dining experience.

The Group understands that good ambience is critical to creating a pleasant dining experience and is in the process of testing different design models. That is the very reason why Coucou is designed to have a more up-scale, elegance style and incorporated with a unique teahouse model differentiating Coucou from other operations. Since the launching of Coucou in 2016, it has been very successful and popular, the Group continued to ride on the opportunity to expand its footprint into 42 cities over 19 provinces, the revenue contributed by this brand amounted to 39.3% of the Group’s total revenue. Tea sold by this brand is also becoming a major source of revenue for the Group and going forward Coucou will continue to take the opportunity to ride on the expansion plan into Tier 3 cities and more importantly into the international frontier. Aside from expansion into Hong Kong in 2019, Coucou has showcased its international expansion footprint by opening its first store in Singapore in the beginning of 2022, This is just the beginning and there will be more new international stores opening to come.

Procurement strategy

In addition to upgrading the hardware of the restaurants, the Group has also started to utilize its upstream supply chain to better control the quality of its ingredients and also to better mitigate its food cost. Over the past few years, the Group has been able to efficiently control its cost by cooperating with its upstream suppliers. The Group realizes that quality is the first and foremost frontier that it must protect thereby cautiously ensures that the suppliers that are chosen are all carefully audited and selected. The Group also acquired an upstream processing plant, Xilin Gol League Yishun halal meat Co., Ltd. processing plant in Inner-Mongolia Ximeng where the Group can better control the quality and cost of the lamb, especially when Inner-Mongolia had adapted a policy to raise more beef than lamb in the past few years leading to less lamb supplies available as a result increasing the cost of lamb products. By investing into such upstream operations, the Group is in a better position to leverage its cost and delivers a better gross profit margin. Going forward, this processing plant will not only help the Company to process the products it needs but can also help to process meat for external parties whereby creating additional revenue for the Group.

Talent development strategy

Stable supply of talented restaurant staff is key to support the Group's restaurants operations and continuous expansion. The Group has reviewed its talent strategy and taken an initiation to undertake some changes. In the second half of 2021, the Group launched the new incentive mechanism where the Group will be undertaking a profit sharing policy with the operations team. Different from the past where the teams were primarily evaluated based on the turnover they achieved, now the key performance indicator (KPI) also includes the operational profit that the team delivers as the Group wants the team to take up more leadership into their operations and not just simply chasing turnover. The Group will continue to evaluate the results of this mechanism and continue to look for ways to better improvise its incentive mechanism to reward its team better so they can continue to level up their performance and deliver better operational efficiency. The Group also changes some of the organizational structure by consolidating some of the functional teams at the Group level from 15 teams down to 10 teams to simplify the organizational structure and increase operational efficiency. At the operational level, in order to increase the operational and management efficiency, the Group has flatten the organization structure, for instance, Xiabuxiabu originally had 6 districts which is now extended to 22 small districts and Coucou from 6 districts to 12 small districts and flattening the reporting level from 5 levels to 3 levels to allow management to react to restaurant needs much more effectively.

Digitalization strategy

In the “new catering” era, the integration of online and offline operations has become a new trend. With the outbreak of the Pandemic, the need to provide contactless service is becoming more important. Therefore, the Group has started to introduce bar code scanning system to minimize the number of contacts to avoid the spreading of Pandemic by and to its staff. This system allows customer to place order via their own mobile device to avoid the possibility of wrong orders and customer can also make payment via the application (“**App**”) therefore creating a safer environment and higher efficiency at the operational level. Robotics are introduced to help serve the dishes to customers to minimize human contacts and enhance serving accuracy. Going forward, the Group will also work with different online portals to seek and maximize the use of big data to further understand its customer’s spending behavior and to seek ways to improvise its operations and enhance efficiency. The Group will also work with marketing team to simplify the company’s App whereby one App is able to allow customers to order online, gain spending points, utilize points to convert prizes, this integration will provide a better experience and convenience for its loyal customers. Aside from enhancing the user experience, the Group is also upgrading the internal system by launching WMS supply chain system whereby the system is capable of better tracking the flow of ingredients, cost tracking, to increase stock turnover rate, minimize data input error, and lower management cost. The Group believes that investing into IT is beneficial to the Group’s long term well-being and it is a worthwhile investment.

Marketing strategy

The Group will continue to enhance its brand image by launching a series of online and offline marketing campaigns to enhance its brand awareness, collaborating with “KOL” to utilize their individual character to attract its customers. The Group’s customer relationship management will continue to focuses on delivering marketing activities to further enhance brand stickiness and customer loyalty. The Group also plans to work with IT team to mobilize its huge customer traffic, and to take advantage of its large customer base and work with well-known brands to launch joint promotion programs to gain more traction from customers. In 2022, the Group will merge the two brands membership card into one whereby previously the membership was solely for each brand individually. After the change, a customer will only need to have a membership card but allow them to enjoy different privilege at both Xiabuxiabu and Coucou restaurants at the same time without having to carry two different brands membership cards with them, creating more flexibility and convenience for our loyal members.

Retail strategy

Since the outbreak of Pandemic, people have to remain at home and “stay at home” economy has become a new living style nowadays and the need to have semi-finished products to help people staying at home to prepare a meal more conveniently is getting popular. In order to ride on this opportunity, the Group has launched condiment products such as hotpot soup base, dipping sauce and cooking sauce in the past few years which are gradually getting market recognition and brand awareness. In 2022, condiment company will further introduce frozen food products and convenience food products into this category. The Group believes this segment has a strong potential market opportunity through the establishment of its non-wholly owned subsidiary, Xiabuxiabu (China) Food Co., Limited (呷哺呷哺(中國)食品有限公司). The Group is venturing into the condiment product business, which supplements and complements the Group’s principal catering service business and will further strengthen the brand of the Group. Sales of condiments business contributed RMB126.2 million in 2021, around 2.1% of total sales. Going forward, the Group will continue to expand this segment to increase the number of sales channels and develop new products to expand the market share.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Year ended 31 December				Year-on-year change
	2021		2020		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	6,147,262	100.0	5,455,246	100.0	12.7
Other income	103,767	1.7	170,732	3.1	(39.2)
Raw materials and consumables used	(2,341,334)	(38.1)	(2,130,169)	(39.0)	9.9
Staff costs	(1,829,717)	(29.8)	(1,478,146)	(27.1)	23.8
Property rentals and related expenses	(298,069)	(4.8)	(219,593)	(4.0)	35.7
Utilities expenses	(201,567)	(3.3)	(190,277)	(3.5)	5.9
Depreciation and amortization	(1,052,911)	(17.1)	(1,006,161)	(18.4)	4.6
Other expenses	(441,814)	(7.2)	(382,490)	(7.0)	15.5
Other gains and losses.	(206,708)	(3.4)	(53,655)	(1.0)	285.3
Finance costs.	(92,562)	(1.5)	(98,310)	(1.8)	(5.8)
(Loss) profit before tax	(213,653)	(3.5)	67,177	1.2	(418.0)
Income tax expense.	(69,480)	(1.1)	(55,692)	(1.0)	24.8
(Loss) profit for the year	(283,133)	(4.6)	11,485	0.2	(2,565.2)
Total comprehensive (expense) income for the year	(283,133)	(4.6)	11,485	0.2	(2,565.2)
(Loss) profit for the year attributable to:					
Owners of the Company	(293,212)	(4.8)	1,837	0.0	(16,061.5)
Non-controlling interest	10,079	0.2	9,648	0.2	4.5
	(283,133)	(4.6)	11,485	0.2	(2,565.2)
Total comprehensive (expense) income attributable to:					
Owners of the Company	(293,212)	(4.8)	1,837	0.0	(16,061.5)
Non-controlling interest	10,079	0.2	9,648	0.2	4.5
	(283,133)	(4.6)	11,485	0.2	(2,565.2)
(Loss) earnings per share					
– basic (RMB cents per share)	(27.28)		0.17		
– diluted (RMB cents per share)	(27.28)		0.17		

Revenue

The Group's revenue increased by 12.7% from RMB5,455.2 million in 2020 to RMB6,147.3 million in 2021, of which revenue generated by Coucou increased by 39.3% from RMB1,689.1 million in 2020 to RMB2,353.7 million in 2021. Restaurant sales had improved as Coucou sales had increased significantly.

Other income

The Group's other income decreased by 39.2% from RMB170.7 million in 2020 to RMB103.8 million in 2021, primarily due to less value-added tax exemption related to the Pandemic in 2021.

Raw materials and consumables used

The Group's raw materials and consumables increased by 9.9% from RMB2,130.2 million in 2020 to RMB2,341.3 million in 2021 primarily as a result of business expansion which led to the opening of more new restaurants in 2021 and also a result of inflation in raw materials. As a percentage of the Group's revenue, the Group's raw materials and consumables decreased from 39.0% in 2020 to 38.1% in 2021 as the Pandemic was much worse in 2020 which led to more food waste that increased the food cost.

Staff costs

The Group's staff costs increased by 23.8% from RMB1,478.1 million in 2020 to RMB1,829.7 million in 2021, while the number of the Group's employees decreased from 31,371 as at 31 December 2020 to 28,536 in 2021. As a percentage of the Group's revenue, the Group's staff costs increased from 27.1% in 2020 to 29.8% in 2021, primarily due to no further reduction in 2021 on national social insurance benefit as in 2020 and Coucou continued to expand and more restaurant teams needed to be hired.

Property rentals and related expenses

The Group's property rentals and related expenses increased by 35.7% from RMB219.6 million in 2020 to RMB298.1 million in 2021, mainly attributable to (i) landlords being less willing to provide rent-free periods; and (ii) the Group continued to open new restaurants, especially Coucou restaurants. As a percentage of the Group's revenue, the Group's property rentals and related expenses increased from 4.0% in 2020 to 4.8% in 2021.

Utilities expenses

The Group's utilities expenses increased by 5.9% from RMB190.3 million in 2020 to RMB201.6 million in 2021 as more new Coucou restaurants were opened. As a percentage of the Group's revenue, utilities expenses remained stable at 3.3% in 2021 as compared with 3.5% in 2020.

Depreciation and amortization

The Group's depreciation and amortization increased by 4.6% from RMB1,006.2 million in 2020 to RMB1,052.9 million in 2021, primarily as a result of business expansion which led to the opening of more new restaurants in 2021. As the Group closed 229 poorly performed Xiabuxiabu restaurants, depreciation and amortization as percentage of revenue decreased from 18.4% in 2020 to 17.1% in 2021.

Other expenses

The Group's other expenses increased by 15.5% from RMB382.5 million in 2020 to RMB441.8 million in 2021. As a percentage of the Group's revenue, the Group's other expenses increased from 7.0% in 2020 to 7.2% in 2021, such increase was primarily due to (i) increase in travel expenses due to ease of Pandemic relative to that in 2020; (ii) increase in professional service fees; and (iii) stock liquidation and loss from failure of restaurant opening.

Other gains and losses

The Group recorded other net losses of RMB206.7 million in 2021, as compared to other net losses of RMB53.7 million in 2020. Such increase was primarily due to increase in loss on closure of 229 restaurants and also more impairment was recognized for some of the existing operations that were poorly performed operations.

Finance costs

The Group recorded finance costs of RMB92.6 million in 2021, mainly derived from interest on lease liabilities of RMB89.2 million.

(Loss) profit before tax

As a result of the foregoing, the Group's profit before tax decreased from RMB67.2 million in 2020 to a loss of RMB213.7 million in 2021.

Income tax expense

The Group's income tax expenses increased by 24.8% from RMB55.7 million in 2020 to RMB69.5 million in 2021, primarily as a result of no deferred tax asset recognising in relation to unused tax losses and deductible temporary differences and the reversal of deferred tax asset for loss making subsidiaries of the Group.

(Loss) profit for the year attributable to owners of the Company

As a result of the cumulative effect of the above factors, the Group's profit for the year attribute to owners of the Company decreased from RMB1.8 million in 2020 to a loss of RMB293.2 million in 2021.

Liquidity and capital resources

In 2021, the Group financed its operations primarily through cash from the Group's operations and bank borrowings. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth.

Cash and cash equivalents

As at 31 December 2021, the Group had cash and cash equivalents of RMB920.5 million as compared with RMB1,097.3 million as at 31 December 2020, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi (as to 87.9%), U.S. dollars (as to 10.7%), Hong Kong dollars (as to 1.2%), and Singapore dollars (as to 0.2%).

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")

In 2019, the Group's subsidiary, Xiabuxiabu Catering Management Co., Ltd. (呷哺呷哺餐飲管理有限公司) ("**Xiabu Beijing**") acquired certain property, machines and fixtures at a consideration of RMB96.1 million from two non-related individual third parties (the "**Sellers**") through obtaining ownership of Xilin Gol League Yishun halal meat Co., Ltd. (錫林郭勒盟伊順清真肉類有限責任公司 ("**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 RMB60.0 million to the Trust on 10 September 2019. According to the Trust agreements, the Trust should complete the purchase of the Company's shares of RMB60.0 million 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 RMB60.0 million and a fixed return of RMB2.4 million per annum was guaranteed by Xiabu Beijing and the seller is entitled to additional returns under specific condition based on the price of the stock shares, while Xiabu Beijing will take the residual return/loss from the Trust accordingly, on the net settlement in cash, if any.

In the opinion of the Directors, the Company’s right and obligation in the Trust constitute a derivative which is based on the stock price of the Company. As at 31 December 2021, the fair value of the derivative was RMB15.8 million (As at 31 December 2020: RMB36.3 million), which was recorded as a financial asset measured at FVTPL, which represented the fair value changes of the derivative. The fair value change is recognised in the line items of other gains and losses.

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

The Group purchased additional short-term investment products with an aggregate principal amount of RMB665.0 million from 1 January 2022 up to the date of this announcement which remained outstanding as at the date of this announcement. None of these subscriptions, individually or collectively when aggregation is required constitute a disclosable transaction under Chapter 14 of the Listing Rules.

Indebtedness

As at 31 December 2021, the Group had short term bank borrowings of RMB75.8 million that were made in Renminbi at a fixed interest rate of 3.85% and are expected to mature within 1 year.

Gearing ratio

As at 31 December 2021, the Group’s gearing ratio was 3.8%. Gearing ratio was calculated by dividing bank and other borrowings by total equity as at the same date and multiply by 100%.

Capital expenditures

The Group made payment for the capital expenditures of RMB439.0 million in 2021 for new restaurant opening, refurbishment of existing restaurants and purchase of new equipment. In 2020, the Group's capital expenditures was RMB404.6 million. The Group's capital expenditure in 2021 was funded primarily by cash generated from its operations. In 2021, the Group opened a total of 95 new restaurants. As at 31 December 2021, the Company did not have any charge over its assets.

Contingent liabilities and guarantees

As at 31 December 2021, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group. During the year ended 31 December 2021, the Group did not conduct any material investments, acquisitions or disposals. The Group has no specific plan for major investment or acquisition for major capital assets or other businesses in accordance with the Listing Rules. However, the Group will continue to identify new opportunities for business development.

Employee and remuneration policies

As at 31 December 2021, the Group had a total of 28,536 employees. In particular, 400 employees worked at the Group's food processing facilities, 3,146 were responsible for restaurant management, 23,891 were restaurant staff and 1,099 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 profit sharing in the form of discretionary performance bonus as further incentive to the Group's restaurant staff if a specific restaurant target is achieved. The Group's staff costs include all salaries and benefits payable to all the Group's employees and staff, including the Group's executive Directors, headquarters staff and food processing facilities staff.

For the year ended 31 December 2021, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB1,829.7 million, representing approximately 29.8% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 715,970 shares (representing approximately 0.07% 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 31 December 2021.

The Company has also adopted the restricted share unit scheme (the “**RSU Scheme**”) which became effective upon the date of listing of the Company (the “**Listing Date**”). Computershare Hong Kong Trustees Limited has been appointed as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme (the “**RSU Trustee**”). During the year ended 31 December 2021, the RSU Trustee purchased an aggregate of 1,300,000 shares at a total cash consideration of approximately HK\$13.0 million from the market. The shares are held on trust for the benefit of the participants of the RSU Scheme (the “**RSU Participants**”) pursuant to the rules of the RSU Scheme and the trust deed entered into between the Company and the RSU Trustee. Such shares will be used as awards for relevant RSU Participants upon the grant and vesting of restricted share units (“**RSUs**”). As at 31 December 2021, RSUs in respect of an aggregate of 3,743,029 shares (representing approximately 0.34% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the RSU Scheme remained outstanding.

Further details of the Pre-IPO Share Incentive Plan and the RSU Scheme, together with, among others, the details of the options granted under the Pre-IPO Share Incentive Plan and the RSUs granted under the RSU Scheme, will be set out in the section headed “Directors’ Report” in the annual report.

Final Dividend

The Board recommends the payment of a final dividend of RMB0.028 per share, amounting to approximately a total of RMB30 million for the year ended 31 December 2021 (the “**2021 Final Dividend**”). The 2021 Final Dividend is intended to be paid out of the Company’s share premium account and is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting (the “**AGM**”).

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended 31 December 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		For the year ended 31 December	
	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	6,147,262	5,455,246
Other income		103,767	170,732
Raw materials and consumables used		(2,341,334)	(2,130,169)
Staff costs		(1,829,717)	(1,478,146)
Property rentals and related expenses		(298,069)	(219,593)
Utilities expenses		(201,567)	(190,277)
Depreciation and amortization		(1,052,911)	(1,006,161)
Other expenses		(441,814)	(382,490)
Other gains and losses	5	(206,708)	(53,655)
Finance costs	6	(92,562)	(98,310)
(Loss) profit before tax	7	(213,653)	67,177
Income tax expense	8	(69,480)	(55,692)
(Loss) profit for the year		<u>(283,133)</u>	<u>11,485</u>
Total comprehensive (expense) income for the year		<u>(283,133)</u>	<u>11,485</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(293,212)	1,837
Non-controlling interest		10,079	9,648
		<u>(283,133)</u>	<u>11,485</u>
Total comprehensive (expense) income attributable to			
Owners of the Company		(293,212)	1,837
Non-controlling interest		10,079	9,648
		<u>(283,133)</u>	<u>11,485</u>
(Loss) earnings per share			
— basic (RMB cents per share)	9	<u>(27.28)</u>	<u>0.17</u>
— diluted (RMB cents per share)	9	<u>(27.28)</u>	<u>0.17</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		As at 31 December	
		2021	2020
	Notes	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		1,052,577	1,296,622
Right-of-use assets	11	1,638,334	1,971,529
Intangible assets		2,403	1,977
Deferred tax assets		43,020	86,203
Rental deposits		169,582	169,741
Financial assets at fair value through profit or loss (“FVTPL”)	13	–	36,315
Interest in a joint venture		49,000	–
		<u>2,954,916</u>	<u>3,562,387</u>
Current assets			
Inventories		598,962	690,921
Trade and other receivables and prepayments	12	394,790	391,715
Restricted bank balances		66,268	37,609
Bank balances and cash		920,533	1,097,324
Financial assets at FVTPL	13	15,832	–
		<u>1,996,385</u>	<u>2,217,569</u>
Current liabilities			
Trade payables	14	250,694	341,225
Accrual and other payables		603,868	703,529
Lease liabilities	15	509,492	564,756
Income tax payables		10,111	45,628
Contract liabilities		316,640	301,701
Deferred income		1,277	1,966
Bank borrowings		75,804	20,000
		<u>1,767,886</u>	<u>1,978,805</u>
Net current assets		<u>228,499</u>	<u>238,764</u>
Total assets less current liabilities		<u>3,183,415</u>	<u>3,801,151</u>
Non-current liability			

		As at 31 December	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
Deferred income		25,033	26,162
Lease liabilities	<i>15</i>	1,089,793	1,400,285
Deferred tax liabilities		3,958	–
Provisions		53,329	34,536
		<u>1,172,113</u>	<u>1,460,983</u>
Net assets		<u>2,011,302</u>	<u>2,340,168</u>
Capital and reserves			
Share capital	<i>16</i>	176	175
Share premium and reserves		1,969,412	2,318,705
		<u>1,969,588</u>	<u>2,318,880</u>
Equity attributable to owners of the Company		41,714	21,288
Non-controlling interest		<u>2,011,302</u>	<u>2,340,168</u>
Total equity		<u>2,011,302</u>	<u>2,340,168</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“**IASB**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, Interest Rate Benchmark Reform - Phase 2
IFRS 7, IFRS 4 and IFRS 16

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) – continued

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

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 Leases (“**IFRS 16**”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of the amendment had no impact to the opening retained profits at 1 January 2021. The Group has benefited from 1 to 12 months waiver of lease payments on several leases in restaurants. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of RMB3,965,000, which has been recognised as variable lease payments in profit or loss for the current year.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ²
Amendments to IFRS 3	Reference to the Conceptual Framework ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to IAS 8	Definition of Accounting Estimates ²
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to IFRSs Standards	Annual Improvements to IFRSs 2018–2020 ¹

^{1.} Effective for annual periods beginning on or after 1 January 2022.

^{2.} Effective for annual periods beginning on or after 1 January 2023.

^{3.} Effective for annual periods beginning on or after a date to be determined.

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

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

	For the year ended 31 December 2021			
	Xiabuxiabu	Coucou	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Type of goods or service				
Restaurant operations	3,497,210	2,353,479	—	5,850,689
Sales of condiment products	—	—	126,210	126,210
Sales of other goods	27,544	203	142,616	170,363
Total	<u>3,524,754</u>	<u>2,353,682</u>	<u>268,826</u>	<u>6,147,262</u>
Geographical markets				
Mainland China	3,524,754	2,229,446	268,826	6,023,026
Hong Kong	—	124,236	—	124,236
Total	<u>3,524,754</u>	<u>2,353,682</u>	<u>268,826</u>	<u>6,147,262</u>
	For the year ended 31 December 2020			
	Xiabuxiabu	Coucou	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Type of goods or service				
Restaurant operations	3,464,010	1,686,580	—	5,150,590
Sales of condiment products	—	—	147,843	147,843
Sales of other goods	37,505	2,475	116,833	156,813
Total	<u>3,501,515</u>	<u>1,689,055</u>	<u>264,676</u>	<u>5,455,246</u>
Geographical markets				
Mainland China	3,501,515	1,623,904	264,676	5,390,095
Hong Kong	—	65,151	—	65,151
Total	<u>3,501,515</u>	<u>1,689,055</u>	<u>264,676</u>	<u>5,455,246</u>

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

3. REVENUE – continued

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

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

As at 31 December 2021

	Customer loyalty scheme RMB'000	Prepaid cards RMB'000	Advance from customer RMB'000
Within one year	14,985	294,391	4,201
More than one year but not more than two years	<u>3,063</u>	<u>—</u>	<u>—</u>
Total	<u><u>18,048</u></u>	<u><u>294,391</u></u>	<u><u>4,201</u></u>

As at 31 December 2020

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

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

The Group issued the prepaid cards which can be utilised in the future consumption in restaurants at customers' discretion. The amounts disclosed above represent the Group's expectation on the timing of utilization made by customers.

4. OPERATING SEGMENTS

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

As disclosed in the Group’s annual financial statements for the year ended 31 December 2020, the Group reorganised its internal reporting structure in 2020 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.

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

Segment revenues and results

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

For the year ended 31 December 2021

	Xiabuxiabu RMB'000	Coucou RMB'000	Total reportable segments RMB'000	Others RMB'000	Adjustments and eliminations RMB'000	Consolidated RMB'000
SEGMENT REVENUE						
External sales	3,524,754	2,353,682	5,878,436	268,826	–	6,147,262
Inter-segment sales	–	–	–	332,850	(332,850)	–
	<u>3,524,754</u>	<u>2,353,682</u>	<u>5,878,436</u>	<u>601,676</u>	<u>(332,850)</u>	<u>6,147,262</u>
Segment results (<i>Note</i>)	<u>34,079</u>	<u>71,223</u>	<u>105,302</u>	<u>38,853</u>	<u>–</u>	<u>144,155</u>
Impairment losses on property, plant and equipment	(48,535)	(5,811)	(54,346)	(10,635)	–	(64,981)
Impairment losses on right-of-use assets	(50,053)	(4,394)	(54,447)	–	–	(54,447)
Impairment losses on other receivables	(1,109)	(153)	(1,262)	(16,400)	–	(17,662)
Impairment loss on rental deposit	(13,184)	(255)	(13,439)	–	–	(13,439)
Loss on closure of restaurants	(103,654)	–	(103,654)	–	–	(103,654)
Gain from changes in fair value of financial assets at FVTPL	26,947	–	26,947	–	–	26,947
Loss on disposal of property, plant and equipment, net	(368)	(312)	(680)	(81)	–	(761)
Interest on bank borrowings	(975)	–	(975)	(757)	–	(1,732)
Segment (loss) profit	<u>(156,852)</u>	<u>60,298</u>	<u>(96,554)</u>	<u>10,980</u>	<u>–</u>	<u>(85,574)</u>
Unallocated loss from changes in fair value of financial assets at FVTPL						(20,982)
Unallocated central administration costs						(97,392)
Unallocated directors' emoluments						(9,705)
Loss before tax						<u>(213,653)</u>

Other segment information

Amounts included in the measure of segment results:

	Xiabuxiabu RMB'000	Coucou RMB'000	Total reportable segments RMB'000	Others RMB'000	Unallocated costs RMB'000	Consolidated RMB'000
Depreciation and amortization	(688,199)	(339,574)	(1,027,773)	(21,714)	(3,424)	(1,052,911)
Gain on termination of lease	44,482	–	44,482	–	–	44,482
Gain on reassessment of lease liabilities	5,975	–	5,975	–	–	5,975
Finance costs (excluding interest on bank borrowings)	(57,736)	(33,014)	(90,750)	(80)	–	(90,830)

4. OPERATING SEGMENTS – continued

For the year ended 31 December 2020

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

Other segment information

Amounts included in the measure of segment results:

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

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

4. OPERATING SEGMENTS – continued

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

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

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

	As at 31 December 2021					Consolidated RMB'000
	Xiabuxiabu RMB'000	Coucou RMB'000	Total reportable segments RMB'000	Others RMB'000	Unallocated assets RMB'000	
Segment assets	<u>2,516,105</u>	<u>1,823,464</u>	<u>4,339,569</u>	<u>542,626</u>	<u>69,106</u>	<u>4,951,301</u>
Other segment information						
Amounts included in the measure of segment assets:						
Interest in a joint venture	-	-	-	49,000	-	49,000
Additions to property, plant and equipment	150,335	201,548	351,883	17,592	-	369,475
Additions to right-of-use assets	283,267	234,315	517,582	-	-	517,582
Segment liabilities	<u>1,709,625</u>	<u>1,114,809</u>	<u>2,824,434</u>	<u>115,565</u>	<u>-</u>	<u>2,939,999</u>
	As at 31 December 2020					
	Xiabuxiabu RMB'000	Coucou RMB'000	Total reportable segments RMB'000	Others RMB'000	Unallocated assets RMB'000	Consolidated RMB'000
Segment assets	<u>3,493,243</u>	<u>1,517,183</u>	<u>5,010,426</u>	<u>697,001</u>	<u>72,529</u>	<u>5,779,956</u>
Other segment information						
Amounts included in the measure of segment assets:						
Additions to property, plant and equipment	217,581	208,587	426,168	1,957	-	428,125
Additions to right-of-use assets	309,410	238,784	548,194	5,806	-	554,000
Segment liabilities	<u>2,258,713</u>	<u>1,083,452</u>	<u>3,342,165</u>	<u>97,623</u>	<u>-</u>	<u>3,439,788</u>

4. OPERATING SEGMENTS – continued

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

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

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

The Group's non-current assets (other than deferred tax assets, rental deposits and financial assets at FVTPL), including property, plant and equipment, right-of-use assets, intangible assets and interests in joint venture are detailed below:

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	2,662,286	3,198,934
Hong Kong	60,462	71,195
Singapore	19,566	—
	<u>2,742,314</u>	<u>3,270,129</u>

5. OTHER GAINS AND LOSSES

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment, net	(761)	(1,172)
Gain on termination of lease (Note i)	44,482	11,046
Gain on reassessment of lease liabilities (Note ii)	5,975	—
Foreign exchange loss, net	(8,095)	(14,863)
Loss on closure of restaurants (Note iii)	(103,654)	(2,143)
Impairment loss on other receivables	(17,662)	(16,881)
Impairment loss on rental deposit	(13,439)	—
Impairment loss recognised in respect of property, plant and equipment	(64,981)	(37,117)
Impairment loss recognised in respect of right-of-use assets	(54,447)	(45,528)
Gain from changes in fair value of financial assets at FVTPL	5,965	60,369
Loss on disposal of inventory	(91)	(7,366)
	<u>(206,708)</u>	<u>(53,655)</u>

5. OTHER GAINS AND LOSSES – continued

Notes:

- (i) During the current year, the Group decided to close down a number of under-performing restaurants of Xiabuxiabu to reinitiate the business and maintain the overall profitability level of the Group. The Group decided to exercise the termination option to terminate the lease contracts before the previously expected date. A net gain on termination of lease amounting to RMB44,482,000 (2020: RMB11,046,000) was recognized, which represented any subsequent adjustments to the carrying amount of the right of use assets and the lease liabilities upon the store closure.
- (ii) For the restaurants that the Group plans to exercise the early termination option, the Group remeasure the lease liability to reflect changes to the lease payments and 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 RMB 5,975,000 during the current year.
- (iii) Due to the decline in restaurant operating results of the Group as well as the management's strategic decision to permanently close certain restaurants during the year, the Group incurred significant loss on closure of restaurants including write-off of the leasehold improvements, uncollectable rental deposits and compensations paid, of those closed down restaurants.

6. FINANCE COSTS

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities	89,208	91,282
Interest on bank borrowings	1,732	4,027
Interest on provisions	1,622	3,001
	<u>92,562</u>	<u>98,310</u>

7. LOSS (PROFIT) BEFORE TAX

The Group's loss (profit) for the year has been arrived at after charging the following items:

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Depreciation of right-of-use assets	586,365	597,060
Depreciation of property, plant and equipment	464,925	406,467
Amortization of intangible assets	1,621	2,634
	<hr/>	<hr/>
Total depreciation and amortization	1,052,911	1,006,161
	<hr/>	<hr/>
Rentals in respect of restaurants lease payments		
— short-term lease (<i>Note i</i>)	40,699	38,322
— Covid-19-related rent concessions	(3,965)	(60,727)
— variable lease payment (<i>Note ii</i>)	79,588	80,501
— other rental expenses (<i>Note iii</i>)	181,747	161,497
	<hr/>	<hr/>
Total property rentals and related expenses	298,069	219,593
	<hr/>	<hr/>
Directors' emoluments	9,705	12,796
	<hr/>	<hr/>
Other staff cost		
Salaries and other allowance	1,691,166	1,401,193
Equity-settled share-based payments	2,216	4,574
Retirement benefit contribution	126,630	59,583
	<hr/>	<hr/>
Total staff costs	1,829,717	1,478,146
	<hr/>	<hr/>
Auditor's remuneration	3,600	3,600
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

8. INCOME TAX EXPENSE

	For the year ended	
	31 December	
	2021	2020
	RMB'000	RMB'000
Enterprise income tax (“EIT”)		
Current tax	22,339	62,703
Deferred tax	47,141	(7,011)
	<hr/>	<hr/>
Total income tax recognised in profit or loss	69,480	55,692
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

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

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 consolidated financial statements in respect of the temporary differences attributable to the accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,772 million as at 31 December 2021 (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.

8. INCOME TAX EXPENSE – continued

Further, withholding income tax is generally imposed on assessable profits earned by foreign entities from the PRC. With respect to the trademark license agreements entered into between Hong Kong subsidiaries and PRC subsidiaries, Hong Kong subsidiaries had recognised taxable royalty income with reference to the predetermined percentages over the revenue earned by PRC subsidiaries and accordingly the royalty income is subjected to the withholding tax. For such taxable royalty income of Hong Kong subsidiaries, which have not been paid, the deferred tax assets have therefore been recognised for the tax deductible expenses according to the trademark license agreement and the prevailing PRC tax regulations. The Directors, in reviewing the uncertain tax treatment of the Group, continuously consider effect of changes in circumstances and new information in the context of applicable tax laws as well as taking into account the Group's settlement strategy based on the latest progress of negotiation with the relevant PRC tax authority and reflect the effect of uncertainty over tax treatments at its best estimate as of the balance sheet date.

9. (LOSS) EARNINGS PER SHARE

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000

(Loss) earnings figures are calculated as follows:

(Loss) profit for the year attributable to owners of the Company	<u>(293,212)</u>	<u>1,837</u>
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The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of diluted (loss) earnings per share as follows:

	For the year ended 31 December	
	2021	2020
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,074,900	1,070,076
Effect of dilutive potential ordinary shares (<i>Note</i>)	<u>N/A</u>	<u>7,357</u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u>1,074,900</u>	<u>1,077,433</u>

Note: The calculation of diluted loss per share for the year ended 31 December 2021 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.

10. DIVIDENDS

	For the year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends recognised as distributions during the year	<u>60,000</u>	<u>79,624</u>

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 30 August 2021, the Company declared a dividend of RMB0.028 per share with total dividends of RMB30,000,000 to shareholders for the six months ended 30 June 2021. The dividend was paid in October 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.

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

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2021 of RMB0.028 per share, amounting to approximately RMB30,000,000 to be paid out of the Company's share premium amount, which is subject to the approval by the shareholders at the forthcoming general meeting, to be held on 28 May 2022. The 2021 final dividend will be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hong Kong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 7 June 2022. The dividend has not been included as a liability in these consolidated financial statements.

11. RIGHT-OF-USE ASSETS

	Leasehold lands <i>RMB '000</i>	Leased properties <i>RMB '000</i>	Total <i>RMB '000</i>
As at 31 December 2021			
Carrying amount	109,791	1,528,543	1,638,334
As at 31 December 2020			
Carrying amount	112,217	1,859,312	1,971,529
For the year ended 31 December 2021			
Depreciation charge	2,426	583,939	586,365
Impairment recognised in profit or loss (<i>Note i</i>)	—	54,447	54,447
	<u>2,426</u>	<u>638,386</u>	<u>640,812</u>
For the year ended 31 December 2020			
Depreciation charge	2,493	594,567	597,060
Impairment recognised in profit or loss (<i>Note i</i>)	—	45,528	45,528
	<u>2,493</u>	<u>640,095</u>	<u>642,588</u>
	For the year ended 31 December		
	2021	2020	
	<i>RMB '000</i>	<i>RMB '000</i>	
Expense relating to short-term leases	40,699	38,322	
Variable lease payments not included in the measurement of lease liabilities	79,588	80,501	
Total cash outflow for leases (<i>Note ii</i>)	789,391	652,322	
Additions to right-of-use assets (<i>Note iii</i>)	517,582	554,000	

Notes:

- (i) After the assessment, the recoverable amount of the right-of-use asset was RMB1,638,334,000 (2020: RMB1,971,529,000) and an impairment of RMB54,447,000 (2020: RMB45,528,000) was recognised during the year 2021.
- (ii) Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases and payments of lease payments on or before lease commencement date (including leasehold land and rental deposits). These amounts could be presented in operating, investing or financing cash flows.
- (iii) Amount includes right-of-use assets resulting from new leases entered and adjustments to fair value of rental deposits at initial recognition, lease modification, reassessment/exercise of extension options and payments for leasehold land.

11. RIGHT-OF-USE ASSETS – continued

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

The Group regularly entered into short-term leases mainly for rented premises and catering delivery robots. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on 2% to 20 % (2020: 3% to 20%) of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in restaurants in Mainland China and Hong Kong where the Group operates.

The amount of fixed and variable lease payments paid to relevant lessors are as follow:

For the year ended 31 December 2021

	Number of restaurants	Fixed payments <i>RMB'000</i>	Variable payments <i>RMB'000</i>	Total <i>RMB'000</i>
Restaurants without variable lease payments	423	202,314	—	202,314
Restaurants with variable lease payments	799	378,974	79,588	458,562
	<u>1,222</u>	<u>581,288</u>	<u>79,588</u>	<u>660,876</u>

For the year ended 31 December 2020

	Number of restaurants	Fixed payments <i>RMB'000</i>	Variable payments <i>RMB'000</i>	Total <i>RMB'000</i>
Restaurants without variable lease payments	460	186,479	—	186,479
Restaurants with variable lease payments	841	338,985	80,501	419,486
	<u>1,301</u>	<u>525,464</u>	<u>80,501</u>	<u>605,965</u>

The overall financial effect of using variable payment terms is that higher rental costs are incurred by restaurants with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of restaurant sales in future years.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables	<u>41,748</u>	<u>52,380</u>
Prepaid operating expenses	32,181	30,624
Prepayments to suppliers	2,565	5,209
Amounts prepaid to the RSU trustee for purchase of ordinary shares	15,497	13,991
Input value-added tax recoverable	282,587	249,869
Other receivables	<u>54,755</u>	<u>56,523</u>
	429,333	408,596
Less: Allowance for credit losses (<i>Note</i>)	<u>(34,543)</u>	<u>(16,881)</u>
Total trade and other receivables and prepayments	<u><u>394,790</u></u>	<u><u>391,715</u></u>

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

	2021 RMB'000
At 1 January	16,881
Impairment losses recognised	<u>17,662</u>
At 31 December	<u><u>34,543</u></u>

Note: During the year ended 31 December 2021, a credit loss allowance for other receivables of RMB17,662,000 (2020: RMB16,881,000) has been provided after considering the probability of defaults of the counterparty based on an individual assessment.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 30 days	33,083	44,740
31 to 90 days	7,817	7,126
91 to 180 days	848	514
	<u>41,748</u>	<u>52,380</u>

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset mandatorily measured at FVTPL:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Derivative financial instruments (<i>Note</i>)	<u>15,832</u>	<u>36,315</u>
	<u>15,832</u>	<u>36,315</u>

Note: In 2019, Xiabu Beijing acquired certain property, machines and fixtures at a consideration of RMB96,116,000 from two non-related individual third parties (the “**Sellers**”) through obtaining ownership of Xilin Gol League Yishun Halal Meat Co., Ltd. (“**Yishun**”) of which Yishun has become a subsidiary of the Group. One of the sellers of Yishun, Xiabu Beijing and a third-party trust company entered into several trust agreements under which, the seller entrust the third-party trust company to set up a trust plan (“**the Trust**”) and transferred RMB60,000,000 to the Trust on 10 September 2019. According to the Trust agreements, the Trust should complete the purchase of the Company’s shares of RMB60,000,000 from the market within the portfolio construction period which has been eventually completed on 11 November 2019 (the “**end of portfolio construction period**”). The Trust would be terminated within three years since the end of portfolio construction period. According to the Trust agreements, the investment principal of RMB60,000,000 and a fixed return of RMB2,400,000 per annum was guaranteed by Xiabu Beijing and the seller is entitled to additional returns under specific condition based on the price of the stock shares, while Xiabu Beijing will take the residual return/loss from the Trust accordingly, on the net settlement in cash, if any.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – continued

Note: – continued

In the opinion of the Directors, the Company's right and obligation in the Trust constitute a derivative which is based on the stock price of the Company. As at 31 December 2021, the fair value of the derivative was RMB15,832,000 (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. The fair value change is recognised in the line items of other gains and losses.

14. TRADE PAYABLES

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 60 days	246,217	332,597
61 to 180 days	2,619	2,023
181 days to 1 year	1,038	595
Over 1 year	820	6,010
	<u>250,694</u>	<u>341,225</u>

15. LEASE LIABILITIES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	509,492	564,756
Within a period of more than one year but not exceeding two years	430,060	497,093
Within a period of more than two year but not exceeding five years	581,426	787,466
Within a period of more than five years	78,307	115,726
	<u>1,599,285</u>	<u>1,965,041</u>
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(509,492)</u>	<u>(564,756)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>1,089,793</u>	<u>1,400,285</u>

15. LEASE LIABILITIES – continued

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

	SG Dollars <i>RMB'000</i>	HK Dollars <i>RMB'000</i>	US Dollars <i>RMB'000</i>
As at 31 December 2021	2,699	82,321	65
As at 31 December 2020	–	55,068	65

16. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December	
	2021	2020
	USD'000	USD'000
Share capital of US\$0.000025 each	<u>27</u>	<u>27</u>
	RMB'000	RMB'000
Presented as:		
Ordinary shares	<u>176</u>	<u>175</u>
	As at 31 December	
	2021	2020
	'000	'000
Number of shares:		
Fully paid ordinary shares	<u>1,085,898</u>	<u>1,083,790</u>

Ordinary shares

	<u>Authorized shares</u>		<u>Issued capital</u>	
	Number of shares '000	Amount <i>RMB'000</i>	Number of shares '000	Amount <i>RMB'000</i>
Balance at 31 December 2019	2,000,000	336	1,080,688	174
Exercise of issued share option	—	—	3,102	1
	<u>2,000,000</u>	<u>336</u>	<u>1,083,790</u>	<u>175</u>
Balance at 31 December 2020	2,000,000	336	1,083,790	175
Exercise of issued share option	—	—	2,108	1
	<u>—</u>	<u>—</u>	<u>1,085,898</u>	<u>176</u>
Balance at 31 December 2021	—	—	1,085,898	176

IMPACT OF THE PANDEMIC

Following the development of the Pandemic, central and local governments implemented control measures and restrictions on consumption areas which affected the Group's business greatly. In order to comply with the government measures and to ensure the safety of its staff and customers, the Group gradually suspended some of its restaurant operations. As the Central Government had taken an effective approach to contain the outbreak in China and situation had eased up, the Group started to gradually reopen some of these closed restaurants, the Group's business has been recovering gradually.

- As the Pandemic continues in the form of Omicron, there are still uncertainties towards the future outlook, the Group is learning from the past two years and will adopt a cautious and modest restaurant opening strategy, choosing locations only where the Group sees there is sufficient customer traffic to ensure the restaurants are able to generate normal profitability level and can generate stable source of cash flow. In 2021, there was a huge change to business environment, the Group altered its strategy, for reasons such as: closing down non profitable restaurants that are located at old commercial locations where sales dropped as a result of lower customer traffic and in locations which do not match the brand's image;
- Took on a proactive approach to negotiate rental free concessions with owners and landlords in order to reduce the operating overheads of the Company;
- During the period where dine-in business was affected, the Group puts in additional efforts to promote online delivery business, rolling out fresh ingredients and hotpot deliveries. In 2021, revenue generated from delivery business contributed RMB355.0 million;
- The Group started to relaunch the “value for money” set menu as it is the core strength and roll out bar seating whereby customers can dine safely and economically. The Group believes alongside with its branding and marketing initiatives, the Group will be able to strive through this Pandemic and be able to stand out in this highly competitive environment;
- The Company understands that at this challenging times, it is imperative to remain financially healthy, therefore maintaining a healthy cash flow position even during the Pandemic, as at 31 December 2021, the Company had bank balances and cash of RMB920.5 million.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board recommends the payment of the 2021 Final Dividend of RMB0.028 per share for the year ended 31 December 2021 to be paid out of the Company's share premium account. Such payment of dividend will be subject to the approval of the Company's shareholders at the forthcoming AGM to be held on 27 May 2022 and is payable to those shareholders whose names appear on the register of members of the Company on 7 June 2022. The 2021 Final Dividend will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 7 June 2022. The 2021 Final Dividend, if approved by the shareholders at the AGM, is expected to be paid on or about 16 June 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 May 2022 to 27 May 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on 27 May 2022, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 24 May 2022.

Subject to the approval of the declaration of the 2021 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from 2 June 2022 to 7 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the 2021 Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 1 June 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the year ended 31 December 2021, the Company complied with the applicable code provisions of Part 2 of the Code as set out in Appendix 14 to the Listing Rules, except for a deviation from code provision C.2.1 of the Code which states that the roles of 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. Furthermore, decisions of the Board are made by way of majority votes. 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

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the year ended 31 December 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 year ended 31 December 2021.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Save as disclosed in the section headed "Management Discussion and Analysis — Employee and remuneration policies" above 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 year ended 31 December 2021.

For details of the shares purchased by the RSU Trustee for the purpose of the RSU Scheme during the year ended 31 December 2021, please refer to the section headed "Management Discussion and Analysis — Employee and remuneration policies" above.

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 together with the management and external auditor the annual results of the Group for the year ended 31 December 2021.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 2021 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and that of the Company (www.xiabu.com). The annual report of the Company for the year ended 31 December 2021 will be dispatched to the shareholders of the Company and will be available on the website of The Stock Exchange of Hong Kong Limited and that of the Company in due course.

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

Hong Kong, 28 March 2022

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.