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)

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023; AND (2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Director(s)**") 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 2023 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
	(audited)	(audited)
Revenue	**5,917,962**	4,724,834
Segment results[1]	**87,915**	(219,157)
Loss before tax	**(124,375)**	(350,935)
Total loss for the year	**(194,445)**	(331,188)
Total loss for the year attributable to owners of the Company	**(199,466)**	(353,052)

(1) 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 financial assets; and (v) loss on closure of restaurants.

PROPOSED FINAL DIVIDEND

Final dividend of RMB0.028 per share, amounting to approximately a total of RMB30 million for the year ended 31 December 2023, is proposed.

BUSINESS REVIEW AND OUTLOOK

Overview

In 2023, the Group opened 131 Xiabuxiabu restaurants, 48 Coucou restaurants and 7 Shaohot restaurant. The Group also closed down 99 Xiabuxiabu restaurants and 15 Coucou restaurants. These restaurants were closed down as they were primarily loss-making, many operated in locations that were mismatching to the "value for money" model which Xiabuxiabu stood for and models that were not able to portrait the brand correctly. The Group believes that with continuous adjustment, the Company will be able to further improve the overall profitability of the restaurants and continue to go forward.

As at 31 December 2023, the Group owned and operated 828 Xiabuxiabu restaurants in 115 cities of 24 provinces and autonomous regions and in three centrally administered municipalities in Mainland China, namely Beijing, Tianjin and Shanghai, and 5 Xiabuxiabu restaurants outside Mainland China.

The Group also owned and operated 243 Coucou restaurants in 52 cities of 25 provinces, in three centrally administered municipalities in China, namely Beijing, Tianjin and Shanghai, and 14 Coucou restaurants outside Mainland China.

The Group's revenue increased by 25.3% from RMB4,724.8 million in 2022 to RMB5,918.0 million in 2023. With the continuous implementation of measures by the Chinese government to expand domestic demand and promote consumption, the Group's restaurants experienced an increase in customer traffic. Meanwhile, the Group successfully expanded and strengthened its restaurant network with the opening of 131 new Xiabuxiabu restaurants and 48 new Coucou restaurants worldwide in 2023.

INDUSTRY REVIEW

In 2023, China's annual gross domestic product (GDP) reached RMB126 trillion, with a corresponding growth rate of 5.2%. The catering industry in China is facing tremendous pressure due to intense market competition. Consumers have become more cautious on their consumption, resulting in severe market involution and intense competition. In the face of the ever-changing environment, new forms of consumption continue to emerge, and the concept of consumption in Generation Z is also different from their parents, which not only pursues cost-effectiveness, but also high quality and unique personality. As the domestic catering market was intensively competitive, many enterprises started to explore the overseas markets, trying to seek new developing opportunities overseas and realise the globalisation of catering. In response to these external changes, the Group has constantly adapted to these changes, sought new development opportunities, and fully utilized its competitive advantages to continuously lead the trend and developing its overseas business. In 2024, the Group will also adhere to its overseas expansion strategy based on its existing operations in Hong Kong, China Taiwan, China and Singapore to create a global hotpot brand.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The Group's restaurant network

In 2023, the Group opened a total of 186 new restaurants, including 131 Xiabuxiabu restaurants, 48 Coucou restaurants and 7 Shaohot restaurant. In addition, the Group closed a total of 114 restaurants, including 99 Xiabuxiabu restaurants and 15 Coucou restaurants in 2023 as some of the restaurants were in locations that were not able to present the Xiabuxiabu "value for money" brand image and also due to various commercial reasons. In aggregate, the Group's total number of restaurants in operation was 1,098 in 2023.

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

	As at 31 December			
	2023		2022	
	#	**%**	#	%
Tier 1 cities(1)	**317**	**38.1**	301	37.6
Tier 2 cities(2)	**309**	**37.1**	292	36.4
Tier 3 cities and below(3)	**202**	**24.2**	208	26.0
Other markets(4)	**5**	**0.6**		
Total	**833**	**100.0**	801	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, Wuxi, Xuzhou and Yantai.

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

(4) Taiwan, China, Hong Kong, China and Singapore.

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

	As at 31 December			
	2023		2022	
	#	**%**	#	%
Tier 1 cities(1)	**91**	**35.4**	81	36.2
Tier 2 cities(2)	**143**	**55.6**	126	56.2
Tier 3 cities(3)	**9**	**3.5**	6	2.7
Other markets(4)	**14**	**5.5**	11	4.9
Total	**257**	**100.0**	224	100.0

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Changzhou, Dalian, Foshan, Dongguan, Jiaxing, Nanning, Nantong, Ningbo, Quanzhou, Xiamen, Shaoxing, Suzhou, Wenzhou, Wuxi, Xuzhou, Zhuhai, Qingdao, Taizhou, Huizhou, Jinhua and Zhongshan.

(3) Yangzhou, Putian, Shantou, Taizhou, Huzhou, Jiangmen, Zhangzhou and Haikou.

(4) Hong Kong, China, Taiwan, China and Singapore.

Key operational information for the Group's restaurants

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

	For the year ended 31 December	
	2023	2022
Net revenue (in RMB thousands)		
Tier 1 cities[1]	**1,470,699**	1,085,489
Tier 2 cities[2]	**1,006,216**	723,009
Tier 3 cities and below[3]	**584,335**	445,279
Other markets[4]	**20,173**	
Total	**3,081,423**	2,253,777
Average spending per customer (RMB)[5]		
Tier 1 cities[1]	**63.4**	67.9
Tier 2 cities[2]	**60.4**	60.4
Tier 3 cities and below[3]	**61.2**	61.2
Other markets[4]	**131.4**	
	62.2	63.9
Seat turnover rate (x)[6]		
Tier 1 cities[1]	**3.2**	2.4
Tier 2 cities[2]	**2.4**	1.9
Tier 3 cities and below[3]	**2.0**	1.6
Other markets[4]	**2.6**	
	2.6	2.0

(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, Wuxi, Xuzhou and Yantai.

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

(4) Taiwan, China, Hong Kong, China and Singapore.

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

(6) Calculated by dividing total customer traffic by total Xiabuxiabu restaurant operation days and average seat count of Xiabuxiabu restaurants during the year, for the counterpart; 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 2023, revenue contribution from Xiabuxiabu and Coucou restaurants continued to be the main source of revenue of the Group, and contributed 95.9% as a percentage of the Group's total revenue. In the face of the current fierce competition in the catering market, Xiabuxiabu has achieved full-time supply, multi-scenario expansion and regional customization to boost customer visits, the seat turnover rate has effectively increased by 0.6x from 2.0x in 2022 to 2.6x in 2023. At the same time, Xiabuxiabu gradually enriched the product lines of afternoon tea and late-night snacks, and even delivery-made cooked food products, created a dining environment and dining experience suitable for a specific period of time, and strengthened the deep cultivation of business in southern China while consolidating the stable growth of strong northern regions.

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	
	2023	2022
Number of same-store*		
Tier 1 cities	294	
Tier 2 cities	296	
Tier 3 cities and below	194	
Total	**784**	
Same-store sales (in RMB million)		
Tier 1 cities	1,041.0	876.9
Tier 2 cities	619.0	534.7
Tier 3 cities and below	366.1	324.0
Total	**2,026.1**	**1,735.6**
Same-store sales growth (%)		
Tier 1 cities	18.7	
Tier 2 cities	15.8	
Tier 3 cities and below	13.0	
	16.7	

* Including restaurants that commenced operations prior to the beginning of the years under comparison and opened for the same number of days in both 2022 and 2023.

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

	For the year ended 31 December 2023	2022
Net revenue (in RMB thousands)		
Tier 1 cities(1)	**1,019,596**	885,622
Tier 2 cities(2)	**1,227,989**	1,100,036
Tier 3 cities(3)	**58,982**	45,722
Other markets(4)	**311,236**	228,079
Total	**2,617,803**	2,259,459
Average spending per customer (RMB)(5)		
Tier 1 cities(1)	**140.9**	151.1
Tier 2 cities(2)	**130.0**	137.0
Tier 3 cities(3)	**129.3**	134.3
Other markets(4)	**273.0**	305.1
	142.3	150.9
Table turnover rate (X)(6)		
Tier 1 cities(1)	**2.2**	2.1
Tier 2 cities(2)	**1.9**	1.8
Tier 3 cities(3)	**1.8**	1.9
Other markets(4)	**2.2**	2.2
	2.0	1.9

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Changzhou, Dalian, Foshan, Dongguan, Jiaxing, Nanning, Nantong, Ningbo, Quanzhou, Xiamen, Shaoxing, Suzhou, Wenzhou, Wuxi, Xuzhou, Zhuhai, Qingdao, Taizhou, Huizhou, Jinhua and Zhongshan.

(3) Yangzhou, Putian, Shantou, Taizhou, Huzhou, Jiangmen, Zhangzhou and Haikou.

(4) Hong Kong, China, Taiwan, China and Singapore.

(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 2023, the economic recovery was slower than expected. The dine-in customer flow of Coucou restaurants could not fully restored, while the table turnover rate of Coucou restaurants slightly increased from 1.9x in 2022 to 2.0x in 2023. Average spending per customer was RMB142.3 in 2023, compared to RMB150.9 in 2022, representing a decrease of 5.7% as compared with that in 2022, and Coucou offered an option for smaller portions for some of the dishes in response to the changes in the market environment, and also provided more benefits to the members of the "all-you-can-eat card" to boost its promotion.

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	
	2023	**2022**
Number of same-store*		
Tier 1 cities	81	
Tier 2 cities	120	
Tier 3 cities	7	
Other markets	8	
Total	**216**	
Same-store sales (in RMB million)		
Tier 1 cities	693.5	785.2
Tier 2 cities	880.7	999.4
Tier 3 cities	31.6	40.8
Other markets	208.7	184.1
Total	**1,814.5**	**2,009.5**
Same-store sales growth (%)		
Tier 1 cities	(11.7)	
Tier 2 cities	(11.9)	
Tier 3 cities	(22.5)	
Other markets	13.4	
	(9.7)	

* Including restaurants that commenced operations prior to the beginning of the years under comparison and opened for the same number of days in both 2022 and 2023.

Outlook for 2024

Business Outlook

In 2023, domestic consumption downgrades were obvious. Furthermore, geopolitical conflicts continued, such as the ongoing Ukraine crisis and the unprecedented scale of the Israeli-Palestinian conflict. The complexity, severity and uncertainty of the external environment are rising, which poses considerable challenges to China's economy and enterprises.

We believe that expanding domestic demand and boosting consumption and investment are still the two most important driving forces for China's economic growth, as well as the Chinese government's strategic growth initiatives. The Central Economic Working Conference held in mid-December 2023 clearly emphasised that for economic development, investment and consumption need to be carried out simultaneously. The government will continue to adhere to the strategy of expanding domestic demand and maintaining an effective investment virtuous cycle. In 2024, it will stimulate potential consumption, expand profitable investment, and pay more attention to the mutual impact of consumption and investment. On the monetary side, China has also reduced the reserve ratio and interest rate several times this year, which has helped reduce corporate financing costs, and increased the confidence of enterprises to invest, so that employees' income and residents' consumption demand could increase correspondingly.

The Group will continue to focus on ensuring the quality and safety of food ingredients, improving the dining experience and promoting brand loyalty. Under the increasingly fierce competition, industry chain giants with advantages in supply chain, reputation and scale will continue to take the lead in the market and promote the development of the catering industry through innovation. The Group believes that the diversified platforms of the Company with Xiabuxiabu and Coucou restaurants in China and abroad, together with online delivery service and condiment products, will form a strong synergy effect and help the Group's overall global business to bloom vigorously.

Going into 2024, the Group will continue to implement the following strategies:

Expansion strategy

In 2023, the Group implemented the "expansion into the East and entering the South" strategy, which achieved remarkable results. The Xiabuxiabu brand managed to open 131 new restaurants. Among them, the first day of opening new restaurants for cities in the southern region, represented by Shanghai, achieved extraordinary results with over 10x in seat turnover rate. In 2024, the Xiabuxiabu brand will continue to focus on opening new restaurants in the market such as Eastern and Southern parts of China, with a focus on reshaping the brands in the Southern part of China and competing for advantageous areas in the Northern part of China, so as to create a bright image of value mini hotpot through high-quality products and classic set meal. The Group plans to open not less than 100 restaurants under the Xiabuxiabu brand in 2024, and the seat turnover rate of new restaurants will be not less than 3x. The goal is to enhance the branding power of the newly expanded city and further consolidate the market share of existing restaurants. There are mainly the following 3 directions: 1) we will continue to actively open new restaurants in areas not covered of Southern cities of China, strengthen brand promotion, and expand brand influence; 2) by lining with the national revitalization plan for Northeastern China, we will focus on building Shenyang and Dalian benchmark restaurants to help strengthen brand influence among local consumers in Northeastern China; and 3) we will strengthen the competition for advantages and landmark area and strive for the re-acquisition of lost area in the past in the traditional strong area of the Beijing-Tianjin-Hebei Region.

At the beginning of 2023, the recovery of the overall consumption environment was far lower than expected, and the "consumption downgrading" had a great impact on Coucou's business, which is positioned with a relatively higher customer unit price. However, Coucou still successfully opened 45 new restaurants in Mainland China during the year of 2023. In addition, Coucou took proactive measures such as offering the option of smaller portion for some of its dishes in response to this phenomenon in a timely manner, and its customer unit price remained at a relatively high level compared to other competitors in the market. In 2024, it is expected that Coucou will suspend the opening of new restaurants in tier 2 and 3 cities, and focus more on tier 1 cities and more developed tier 2 cities and regions, in order to consolidate Coucou's brand influence in more advantageous regions. Moreover, Coucou will carefully evaluate and assess the location and point of restaurants planned to be opened in the future. Taking advantage of the Group's internal project cost optimisation, Coucou will optimise the investment recovery period of new restaurants from 14 months to 12 months, thereby accelerating the recovery of funds.

In 2024, Coucou is expected to open 26 hot pot restaurants in Mainland China, including 3 in Shanghai, 6 in Jiangsu and Zhejiang provinces, 6 in Guangdong province, 3 in Beijing and 8 in other regions.

In 2023, the Group has opened 11 Coucou restaurants in Hong Kong, China, reinforcing its competitive advantage as a strategic brand from point to surface. The Group has opened 3 Coucou restaurants in Singapore, focusing on the expansion of shopping malls with high customer traffic. Xiabuxiabu has opened 5 restaurants in Hong Kong, China, Singapore and Taiwan, China, starting to its overseas expansion in a new dining scenario for one-person hot pot. In 2024, the Group will open the first Coucou restaurant in Taiwan, China, continuing the cultural image of the party hotpot brand that integrates traditional Taiwanese flavour with Chinese and Western innovation. At the same time, it will continue to expand existing new markets and empower overseas expansion in Southeast Asia and the Middle East.

Branding strategy

The Xiabuxiabu brand focused on locking target customer group, starting from promoting product competitiveness upgrade and brand value upgrade to achieve the following "Four Optimisations": 1) product variety enrichment: products can be developed at all times to form a diversified product matrix; 2) excellent set meal advantages: the set meal is adjusted to a new model, and the advantages of beef and lamb industry are created based on Yishun; 3) personalised member experience: care and warmth are conveyed to our customers through the integration of membership digital marketing and brand culture; and 4) differentiated brand experience: one-to-one receptionists are arranged in exclusive positions to create differentiated services and enhance consumer stickiness. In terms of restaurants image, it is expected that 150 old restaurants will be renovated to create a bright, comfortable and warm dining environment, which will be closer to the consumption preferences of young customers. The Group plans to further refine its membership system and rapidly develop membership digital marketing by converting customers to new members through various media channels, and increase the old consumers stickiness and times of members repurchase through activities such as exclusive birthday parties, customised gifts, all-you-can-eat card anniversary celebrations, brother brand benefits, in-restaurant consumption can enjoy a one-time experience of take-away set meal, exclusive snacks and lozenges will be provided after customers with all-you-can-eat card finish their meals. In 2024, the Xiabuxiabu brand will further promote its sales of all-you-can-eat card, effectively increasing the number of members with all-you-can-eat card and enhancing the reach and communication with members with all-you-can-eat card through target decomposition at all levels, promotion and marketing through multiple channels, tracking, inspection and verification by headquarters, and experience sharing by receptionists. The Group will implement brand customer traffic enhancement projects to increase customer traffic in-restaurant. Through the implementation of the brand visual improvement (including logo, product promotion materials, packaging materials, etc.) plan, the brand image is redefined to highlight the feeling of "home", moving towards a more topical, youthful, and fashionable brand packaging upgrade direction. The Group is confident that through the above brand promotion strategy, it can better lock target customer groups and establish a young, fashionable, amiable and beautiful brand impression in the minds of consumers.

In 2024, "new product development" and "membership programs" will be the top priority of Coucou's brand strategy. Coucou has conducted in-depth research on the tastes and preferences of consumers in various regions, collected and carefully selected the local specialty ingredients, and will continue to use new ingredients and new elements to create a new soup base in 2024, providing consumers with new stimulation and enjoyment of taste buds. Coucou will also optimise and upgrade the majority of the dishes in the existing menu, improve the quality of dishes, optimise the structure of dishes, as well as develop new dishes to supplement the product matrix. For free gifts such as sour plum jelly and ice cream that has been popular among consumers, Coucou will also upgrade them with a new menu in 2024 to deliver a better consumption experience. Meanwhile, Coucou will upgrade the food presentation of the existing dishes in 2024 to serve consumers in a form that can further highlight the characteristics of the brand and its dishes.

The Group's membership program, which was launched in May 2023, will continue to be one of the important driving forces for Coucou in 2024. In 2024, the brand created a new version of the menu for the first time for the holders of the "all-you-can-eat card" and launched it at all restaurants in Mainland China in February, which set up an exclusive price for the holders of the "all-you-can-eat card" with more than 70% of the dishes set with independent discount prices. It is believed that the provision of extra benefits for the holders of the "all-you-can-eat card" will be conducive to increasing members' loyalty and their sense of identity with the brand.

In addition to new product development and membership programs, Coucou will continue to adhere to the brand's vision to target at the "new middle class" by promoting the concept of "gatherings", and provide consumers with the best dining experience through thoughtful but not personal services. At the same time, Coucou will also actively develop the emerging consumer group, being the "university students" market, and a customised preferential program for university students will be launched to the market in March.

Digital marketing strategy

In 2023, the number of new members of the Group through its membership system increased by 62% year-on-year; member consumption frequency increased to 2.79 times, and the number of member consumption reached nearly 9.4 million, both of which were increased by 1.4x year-on-year. At the same time, the all-you-can-eat card for premium members was launched on the 25th anniversary of the establishment of the Group, and the sales exceeded RMB150 million in 2023. The member consumption frequency of the all-you-can-eat card increased by 2.1x as compared with that of ordinary members, and the per capita repurchase spending amounted to RMB542, representing an increase of 2.3x as compared with that of ordinary members, thus laying a good foundation for improving customer loyalty in the long run.

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 2024, Xiabuxiabu restaurant will make continuous innovations to upgrade and enrich its product offering while continuing to serve the classic delicacy of the Xiabuxiabu brand. Xiabuxiabu has always been paying attention to inheriting the flavour of Taiwan's gastronomy and introducing traditional classic delicacies. In 2024, Xiabuxiabu will launch replica products of classic Taiwanese flavour, such as the Juancun soup base (Changhua tofu hotpot, Juancun beef hotpot), aged braised food in the night market (Hakka braised egg, braised sea belt), Taiwanese frying products (crispy meatballs, nine-storey pepper chicken). With the beautiful meaning of "great dishes (一定橙)", Xiabuxiabu will also launch a series of "great dishes" products using natural oranges as ingredients, such as orange jasmine tea and macaron French desserts, with an aim to meet consumers' diverse menu choices. The meat quality of fried skewers remains the same and the dishes are closer to customer satisfaction.

In addition, the Group will continue to optimise afternoon tea and nighttime snack services in 2024 as a complementary business during the non-peak hours with low table turnover rate as well as the afternoon tea combo featuring N+1 tea beverage and refreshment, the nighttime snack series featuring leisure braised dishes as well as fried and roasted skewers, and the "Xiabu self-heating hotpot series" under the take-away delivery business for camping and picnic scenarios, offering customers with various consumption scenario options available through various channels at any time. The Group will continue to take advantage of its strong supply chain network in different regions, add products of different price range, and establish a rational product mix so as to satisfy the various needs of its consumers, especially the younger generation.

Coucou launched the "meat with pickled cabbage broth" in September 2023, which was well received by consumers once launched, and new soup bases have become another signature product for Coucou following the success of the "free flow of duck blood and tofu". In February 2024, Coucou adjusted and optimised the pricing basis for soup bases, abolishing the previous practice of charging on a per person basis. The new soup base fee will be priced according to the food ingredients, with each soup base being priced separately, making it more suitable for gatherings and dining. At the same time, Coucou is also actively developing several new flavours for soup bases, which will be launched in 2024 and added to the existing product matrix. In the future, Coucou expects that each restaurant will have about 10 new soup bases for consumers to choose from, so as to meet the taste preferences of different groups of people. In terms of other dishes, Coucou will also continue to innovate according to consumers' preference to create hot and special dishes.

In terms of tea beverages, the new “Pistachio Series” and “Oriental Beauty Series” launched in 2023 were well received. In 2024, Coucou will continue to incubate new star products based on the successful tea beverage series. Fresh milk tea/light milk tea products will also be developed to supplement the product matrix. Coffee products that are popular among young consumers have been tested in restaurants in February 2024 and are expected to be fully launched in the second quarter of 2024.

The Group will also take steps to further develop delivery products to ensure better synergy with dine-in business. In 2024, the Group will continue to roll out new product range such as “concentrated tomato beef hot pot”, “signature spicy lamb roll hot pot” and “fresh and spicy beef hot pot”. At the same time, the Group will launch single-person meals with more convenient food characteristics, such as “fresh and spicy basal fish single-person meal” and “popular beef rice single-person meal”.

New model strategy

In 2024, Xiabuxiabu will introduce a new restaurant model with rapid plug-in decoration, which will greatly save the delivery cycle of new restaurants. According to the data of new restaurants renovated in 2023, the cost and working hours will be reduced by 10%.

In 2023, based on its existing elegant and up-scale Chinese design style, Coucou attempted to introduce more diverse design concept. Hangzhou Hubin Yintai restaurant, which completed renovation work in April 2023, has incorporated the “Zen” element into its design concept. Since then, this style has been widely applied to many other new restaurants subsequently opened with good response. In 2024, based on the successful launch of the investment model of “focusing on design and light building materials” in 2023, the Group will further explore and expand the room for cost optimisation and launch more economical decoration investment solutions while maintaining the dining environment, decoration quality and style, in order to optimise the profit margin of new restaurants. In the future, Coucou’s new restaurants will focus more on the mid-size restaurant model. Meanwhile, the layout of the kitchen has also been optimised and the kitchen area will be streamlined with a smoother post-kitchen circulation design to enhance the utilisation rate of the customer area and, simultaneously, improve the efficiency of the use of restaurant area and profit margin.

Supply Chain Strategy

The Group has fully explored and leveraged the efficiency of the supply chain, and achieved full-chain refined management from source factory to warehousing and distribution to restaurant use, so as to better control ingredients and reduce costs. The Group has established a sound supplier management system to ensure that selected suppliers are carefully reviewed from the source, and to achieve survival of the fittest through strengthening process control in cooperation. Based on its operating characteristics, the Group has developed a national procurement cost control mechanism and a bidding mechanism in a suitable manner to ensure optimal procurement costs. Based on the planned operation, the Group has promoted the optimal configuration of warehousing and distribution network to improve logistics efficiency, and fully cooperated with the upstream supply chain to achieve comprehensive optimisation of inventory structure on the basis of ensuring supply through comprehensive control of inventory health. The Group acquired Xilin Gol League Yishun halal meat Co., Ltd., currently a wholly-owned subsidiary of the Company and a processing plant in Ximeng, Inner Mongolia, which started to serve as a raw material processing plant for beef products in addition to supplying lamb products, thereby allowing the Group to better control the quality and cost of meat products.

Talent development strategy

After renovation and rearrangement of the internal restaurants of the Company, the Group will usher in a new round of restaurant preparation and construction cycle to further promote the "expansion into the East and entering the South" strategy of the Company, and increase restaurants in the Southern part of China. Moreover, the recruitment, cultivation and reserve of talents for key positions in restaurants and operations have become the focus of human resources in the year.

In 2023, the Company continued to carry out external recruitment for the positions of regional general manager and operation manager to seek outstanding talents from the market, optimise the structure of management personnel, introduce new talents and complete the operation and management concepts.

The training program for management trainees has been further implemented. In addition to focusing on personnel recruitment, the cultivation, selection and appointment of personnel have also been put into practise. The recruitment of management trainees has been greatly promote across the country, and at the same time, focused on the campus recruitment plan, and selected young, high-quality, creative and dynamic personnel from universities that meet the standards of the Group. A total of 167 job fairs were organised, covering 18 provinces and cities across the country. In addition to personnel selection and recruitment on campus, the marketing department has also been carried out the promotion of the Company's brand and products and the construction of the employer branding, so as to continuously enhance the Group's image among young consumers.

To facilitate the rapid growth of the Group's personnel and nurture a pipeline of candidates for the Group's management team, the Company has continued to sort out and improve the training program for employees and published online learning courses with clear objectives set through the online learning platform, so that the training courses can be visualised and employees can clearly understand their learning progress. In addition, the Company optimised the evaluation mechanism for excellent and qualified training restaurants, and provided incentives in terms of material, spirit and reputation to enhance the motivation of training restaurants for personnel training.

In terms of incentive mechanism, the Company has continued to implement the profit-sharing mechanism in the operation system to promote employees to pay attention to performance and profit improvement, achieving a win-win situation between the Company and employees. Moreover, the Company also adjusted and optimised the bonus scheme for certain functional departments, including shortening the appraisal period and adjusting the relatively fixed bonus mechanism to be strongly related to the business, thereby enhancing the attention, responsiveness and support efficiency of functional department personnel for the business.

Digitalization strategy

The Group has attached great importance to digital construction and insists on empowering brands with high-level digital transformation. After more than ten years of construction and development, a digital system covering all business aspects of the Group has been built, which has effectively improved the efficiency and accuracy of brand operation and management, and provided high-quality trend judgement and decision-making reference for the Group's operation. The Group has always adhered to the characteristics of economic and social development and changes in customer consumption needs, maintained the adaptability of digital construction to the market, so as to ensure the smooth and orderly operation of the Group. With the acceleration of the Group's overseas layout, the Group took the lead in informatization to complete the construction and operation of the entire overseas operation system, and helped the Group's overseas layout to achieve stable and long-term development. The Group further improved the quality and efficiency of digital construction, and realized the integration of the all-brand POS (point of sales) system. In 2023, the Group integrated its membership system, the QR code ordering system, the online retail mail and other systems, and completed the layout of the fee control and management system, the TMS (transportation management system) and the OMC (Operation and Maintenance Center) system. Through a series of integration and upgrading measures, the end-to-end business flow and information flow were connected, providing strong support for the development of the Group. The Group always believes that digital construction is the vanguard of the Group's development, which plays an important role in cost reduction and efficiency improvement, risk perception and management empowerment. Adhering to digital transformation and long-term continuous investment in resources will also be the Group's unchanged policy for top-level design.

Marketing strategy

The Group will continue to build the core competitiveness of its different brands, accurately reach the target consumer group, and provide good products to make consumers perceive differentiation, while presenting and conveying brand value with attractive products. In terms of promotion, the Group will utilize the most suitable media such as self-media, outdoor advertising, and member connections to enhance brand awareness, showcase product features, and create purchasing desire.

The Group will also continue to make use of the advantages of cross-brands, take advantage of the Group's membership system's all-you-can-eat card as the main axis, and deepen the communication with consumers around the members of all-you-can-eat card, including Xiabuxiabu, Coucou, Tea Mi Tea and Xiaubu Food, so as to reflect the obvious advantages of the Group's consumption proposition and improve the stickiness of loyal customers. On the other hand, the Group will leverage its large membership base to carry out cross-industry alliances with well-known platforms, channels and brands, such as strong alliances with banks, airlines and brands, to continuously attract loyal customers and drive market growth and create a winning proposition.

Retail strategy

Consumers have paid more attention to value for money and experience, and food companies have keenly identified changes in this behavior and made adjustments to adapt to changes.

The Group continued to focus on the affordable mass series hot pot soup flavorings and home cooking condiments, which are expected to increase by 5-8 SKUs (stock keeping unit(s)) in 2024. Meanwhile, the Group upgraded the quality of hot pot dipping sauce, a hit product, to a high-quality product of the same style in the restaurant, consolidating its position as the No. 1 brand of hot pot dipping sauce.

In 2024, the Group will carry out a comprehensive integration and layout of channels and make adjustments to adapt to the ever-changing channels. The Group will establish effective customer touchpoints through online, offline and O2O (online to offline) channels to vigorously expand the market of Eastern part of China, small-scale business models and interest-based e-commerce, and plan the most suitable products, specifications and packaging size for each channel to optimise the reach and transformation of target customers. In addition, it plans to comprehensively upgrade the packaging and specifications of online soup flavorings products.

With the increase of people's interest in camping, picnic and other scenarios experiences, the food company and the catering segment jointly develop room temperature meat packages, vegetable packages and other camping gift packages to effectively meet the needs of new consumers.

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 2022 to 2023:

	Year ended 31 December				Year-on-year change
	2023		2022		
	RMB'000	*%*	*RMB'000*	*%*	*%*
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**5,917,962**	**100.0**	4,724,834	100.0	25.3
Other income	**139,798**	**2.4**	120,551	2.6	16.0
Raw materials and consumables used	**(2,214,423)**	**(37.4)**	(1,798,872)	(38.1)	23.1
Staff costs	**(1,862,892)**	**(31.5)**	(1,553,543)	(32.9)	19.9
Property rentals and related expenses	**(311,085)**	**(5.3)**	(251,793)	(5.3)	23.5
Utilities expenses	**(225,872)**	**(3.8)**	(177,465)	(3.8)	27.3
Depreciation and amortisation	**(928,600)**	**(15.7)**	(963,551)	(20.4)	(3.6)
Other expenses	**(431,620)**	**(7.3)**	(356,004)	(7.5)	21.2
Other gains and losses	**(135,213)**	**(2.3)**	(16,498)	(0.3)	719.6
Finance costs	**(72,430)**	**(1.2)**	(78,594)	(1.7)	(7.8)
Loss before tax	**(124,375)**	**(2.1)**	(350,935)	(7.4)	(64.6)
Income tax (expense) benefit	**(70,070)**	**(1.2)**	19,747	0.4	(454.8)
Loss for the year	**(194,445)**	**(3.3)**	(331,188)	(7.0)	(41.3)
Total comprehensive expense for the year	**(194,445)**	**(3.3)**	(331,188)	(7.0)	(41.3)
(Loss) profit for the year attributable to:					
Owners of the Company	**(199,466)**	**(3.4)**	(353,052)	(7.5)	(43.5)
Non-controlling interest	**5,021**	**0.1**	21,864	0.5	(77.0)
	(194,445)	**(3.3)**	(331,188)	(7.0)	(41.3)
Total comprehensive (expense) income attributable to:					
Owners of the Company	**(199,466)**	**(3.4)**	(353,052)	(7.5)	(43.5)
Non-controlling interest	**5,021**	**0.1**	21,864	0.5	(77.0)
	(194,445)	**(3.3)**	(331,188)	(7.0)	(41.3)
Loss per share					
— basic (RMB cents per share)	**(19.16)**		(33.42)		
— diluted (RMB cents per share)	**(19.16)**		(33.42)		

Revenue

The Group's revenue increased by 25.3% from RMB4,724.8 million in 2022 to RMB5,918.0 million in 2023. As the Chinese government continued to implement major internal needs and promote consumer spending, the Group's restaurant customer traffic increased. At the same time, the Group successfully launched 131 new Xiabuxiabu restaurants and 48 new Coucou restaurants globally in 2023, and strengthened the restaurants' network. As a result, the revenue generated from Xiabuxiabu increased by 32.3% from RMB2,285.8 million in 2022 to RMB3,023.9 million in 2023; the revenue contributed by Coucou increased by 20.2% from RMB2,205.8 million in 2022 to RMB2,651.9 million in 2023. Due to the change in the market trend of consumer spending, the recovery of the consumption scenarios diversification and the contraction of the home economy during 2023 as compared to the same period last year, the sales revenue of condiment products decreased by 14.5% from RMB142.6 million in 2022 to RMB122.0 million in 2023.

Other income

The Group's other income increased by 16.0% from RMB120.6 million in 2022 to RMB139.8 million in 2023, primarily due to the significant increase in the subsidies obtained by the Group as a result of the Group using the additional deduction policy of value-added tax during the Reporting Period.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 23.1% from RMB1,798.9 million in 2022 to RMB2,214.4 million in 2023 primarily as a result of increase in customer traffic and in sales at the restaurants. Benefiting from the increase in the number of strategic suppliers and the advantage of centralised procurement, the Group's cost of raw materials and consumables in 2023 as a percentage of the Group's revenue decreased from 38.1% in 2022 to 37.4% in 2023, which effectively reduced the average procurement unit price.

Staff costs

The Group's staff costs increased by 19.9% from RMB1,553.5million in 2022 to RMB1,862.9 million in 2023, while the number of the Group's employees increased from 27,059 as at 31 December 2022 to 28,665 as at 31 December 2023. The increase in staff costs was mainly due to the rapid opening of new restaurants in 2023 as compared to the corresponding period last year, and reserving staff for the opening of new restaurants in 2024. Benefiting from more scientific and efficient scheduling, labour costs was effectively reduced. As a percentage of the Group's revenue, the Group's staff costs decreased from 32.9% in 2022 to 31.5% in 2023.

Property rentals and related expenses

The Group's property rentals and related expenses increased by 23.5% from RMB251.8 million in 2022 to RMB311.1 million in 2023, mainly attributable to (i) rental exemption and reduction received as a result of the Group's negotiation with lessor based on its own brand advantages; and (ii) the increase in the total number of the Group's operating restaurants from 1,026 as of 31 December 2022 to 1,098 as of 31 December 2023. As a percentage of the Group's revenue, the Group's property rentals and related expenses remained consistent at 5.3% for the years ended 31 December 2022 and 2023, respectively.

Utilities expenses

The Group's utilities expenses increased by 27.3% from RMB177.5 million in 2022 to RMB225.9 million in 2023 due to (i) the increase in the number of operating days of the Group's restaurants in 2023 as compared to 2022; and (ii) the increase in the number of restaurants during the Reporting Period. As a percentage of the Group's revenue, utilities expenses in 2023 were in line with that in 2022 of 3.8%.

Depreciation and amortisation

The Group's depreciation and amortisation decreased by 3.6% from RMB963.6 million in 2022 to RMB928.6 million in 2023, mainly attributable to (i) the increased efforts to utilize old resources; and (ii) the increase in impairment losses on non-current assets in 2023 as compared to the same period in 2022, resulting in a decrease in the related net assets value and a decrease in depreciation and amortisation. As a percentage of revenue, depreciation and amortisation decreased from 20.4% in 2022 to 15.7% in 2023.

Other expenses

The Group's other expenses increased by 21.2% from RMB356.0 million in 2022 to RMB431.6 million in 2023 due to (i) the increasingly fierce competition in the current market, and the increase in promotion activities to consolidate and strengthen the brand market; and (ii) the corresponding increase in royalty expenses due to the increase in revenue from tea beverages. The Group refined the control and management of operating cost expenses. As a percentage of the Group's revenue, the Group's other expenses decreased from 7.5% in 2022 to 7.3% in 2023.

Other gains and losses

The Group recorded other net losses of RMB135.2 million in 2023, as compared to other net losses of RMB16.5 million in 2022, representing an increase of RMB118.7 million as compared with the previous year, mainly due to the provision of impairment losses on non-current assets of RMB150.1 million made during the Reporting Period after the Group's prudent evaluation of restaurants that are expected to be closed and continue to be loss-making, as compared to the impairment losses of RMB53.3 million made in the previous year (see Note 5 to the consolidated financial statements).

Finance costs

The Group recorded finance costs of RMB72.4 million in 2023, mainly derived from interest on lease liabilities of RMB62.7 million.

Loss before tax

As a result of the foregoing, the Group's losses decreased from RMB350.9 million in 2022 to a loss of RMB124.4 million in 2023.

Income tax (expense) benefit

The Group's income tax expenses in 2023 amounted to RMB70.1 million as compared to income tax benefit of RMB19.7 million in 2022. This was due to (i) profits of certain subsidiaries; and (ii) a decrease of RMB64.4 million in deferred tax assets of certain subsidiaries as at 31 December 2023 as compared to the corresponding time in 2022.

Loss for the year attributable to owners of the Company

As a result of the cumulative effect of the above factors, the Group's loss for the year attribute to owners of the Company decreased from RMB353.1 million in 2022 to a loss of RMB199.5 million in 2023.

Liquidity and capital resources

In 2023, the Group financed its operations primarily through cash from the Group's operations.

Cash and cash equivalents

As at 31 December 2023, the Group had cash and cash equivalents of RMB129.4 million, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi (as to 82.0%), U.S. dollars (as to 0.7%), Hong Kong dollars (as to 11.8%), Taiwan New dollars (as to 1.5%) and Singapore dollars (as to 4.0%). The balance of cash and cash equivalents as at 31 December 2023 decreased by approximately RMB171.3 million as compared with that of RMB300.7 million as at 31 December 2022, which was mainly because a portion of cash was invested in wealth management products at the end of 2023, the balance of financial products as at 31 December 2023 was RMB654.0 million (2022: RMB390.2 million).

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

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

As at 31 December 2023, the Group had financial assets at FVTPL which amounted to RMB654.0 million in aggregate, which mainly represented financial products (the "**Financial Products**") issued by Bank of Inner Mongolia Co., Ltd. and Fubon Bank (China) Co., Ltd. (collectively, the "**Banks**") and Huatai Securities Co., Ltd. and COFCO Trust Co., Ltd. (collectively, the "**Investment Fund Companies**"). Such products are investments with no predetermined or guaranteed return and are not principal protected, with an expected return rate ranging from 2.60% to 5.25% per annum. In particular, two of the financial product of RMB127.3 million were classified as non-current assets due to their maturity date in 2028. The sum realized from the Financial Products was recorded as gain from changes in fair value of financial assets designated as financial assets at FVTPL and amounted to approximately RMB44.2 million for 2023.

The Group generally subscribed for the financial products on a revolving basis, which means that the Group would subscribe for additional financial products when the terms of certain financial products previously subscribed for by the Company expired. Subscriptions of financial products were made for treasury management purpose to maximize the return on the unutilized funds of the Group after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Group had in the past selected short-term financial products issued by reputable commercial banks and investment fund companies that had relatively low associated risk. Prior to making an investment, the Group had also ensured that there remains sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such financial products. Although the financial products were marketed as wealth management products which were not principal protected nor with pre-determined or guaranteed return, the underlying investments were in line with the internal risk management, cash management and investment policies of the Group and the Company had fully recovered the principal and received the expected returns upon the redemption or maturity of similar financial products in the past.

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

There was no single financial product in the Group's investment portfolio that has a carrying amount that account for more than 5% of the Group's total assets as at 31 December 2023.

The Group purchased additional short-term investment products with an aggregate principal amount of RMB495 million from 1 January 2024 up to the date of this annual results announcement which remained outstanding as at the date of this annual results announcement. None of these subscriptions, individually or collectively when aggregation is required constitute a disclosable transaction under Chapter 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Indebtedness

As at 31 December 2023, the Group had short term bank borrowings of RMB248.6 million that were made in Renminbi at a fixed interest rate of 1.70% to 4.50% and are expected to mature within 1 year.

Gearing ratio

As at 31 December 2023, the Group's gearing ratio was 19.6%. 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 RMB431.6 million in 2023 for new restaurant opening, refurbishment of existing restaurants and purchase of new equipment. In 2022, the Group's capital expenditures was RMB401.0 million. The Group's capital expenditure in 2023 was funded primarily by cash generated from its operations. In 2023, the Group opened a total of 186 new restaurants.

Pledge of assets

As at 31 December 2023, the Company had no pledged assets.

Contingent liabilities and guarantees

As at 31 December 2023, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Significant investments held, material acquisitions and future plans for major investment

During the Reporting Period, the Group did not conduct any material investments, acquisitions or disposals. The Group has no significant investments held and specific future 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 2023, the Group had a total of 28,665 employees. In particular, 185 employees worked at the Group's food processing facilities, 2,943 were responsible for restaurant management, 24,435 were restaurant staff and 1,102 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 2023, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB1,862.9 million, representing approximately 31.5% of the total revenue of the Group.

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended 31 December 2023 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	For the year ended 31 December 2023 RMB'000	2022 RMB'000
Revenue	3	**5,917,962**	4,724,834
Other income		**139,798**	120,551
Raw materials and consumables used		**(2,214,423)**	(1,798,872)
Staff costs		**(1,862,892)**	(1,553,543)
Property rentals and related expenses		**(311,085)**	(251,793)
Utilities expenses		**(225,872)**	(177,465)
Depreciation and amortisation		**(928,600)**	(963,551)
Other expenses		**(431,620)**	(356,004)
Other gains and losses	5	**(135,213)**	(16,498)
Finance costs	6	**(72,430)**	(78,594)
Loss before tax	7	**(124,375)**	(350,935)
Income tax (expense) benefit	8	**(70,070)**	19,747
Loss for the year		**(194,445)**	(331,188)
Total comprehensive expense for the year		**(194,445)**	(331,188)
(Loss) profit for the year attributable to:			
Owners of the Company		**(199,466)**	(353,052)
Non-controlling interest		**5,021**	21,864
		(194,445)	(331,188)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(199,466)**	(353,052)
Non-controlling interest		**5,021**	21,864
		(194,445)	(331,188)
Loss per share			
– basic (RMB cents per share)	9	**(19.16)**	(33.42)
– diluted (RMB cents per share)	9	**(19.16)**	(33.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		As at 31 December	
		2023	2022
	Notes	**RMB'000**	RMB'000
Non-current assets			
Property, plant and equipment		**894,362**	961,235
Right-of-use assets	*11*	**1,254,041**	1,417,290
Intangible assets		**6,602**	2,010
Deferred tax assets		**8,864**	73,222
Rental deposits		**185,395**	175,373
Financial assets at fair value through profit or loss ("**FVTPL**")	*13*	**127,253**	100,014
Interest in a joint venture		**100,164**	49,149
		2,576,681	2,778,293
Current assets			
Inventories		**345,542**	614,486
Trade and other receivables and prepayments	*12*	**394,255**	264,943
Restricted bank balances		**143,686**	61,521
Cash and cash equivalents		**129,366**	300,706
Financial assets at FVTPL	*13*	**526,741**	290,189
		1,539,590	1,531,845
Current liabilities			
Trade payables	*14*	**269,114**	242,734
Accrual and other payables		**557,524**	542,955
Lease liabilities	*15*	**379,035**	493,231
Income tax payables		**14,065**	35,741
Contract liabilities		**415,577**	399,934
Deferred income		**910**	1,277
Bank borrowings		**248,580**	58,678
		1,884,805	1,774,550
Net current liabilities		**(345,215)**	(242,705)
Total assets less current liabilities		**2,231,466**	2,535,588

	Notes	As at 31 December 2023 RMB'000	2022 RMB'000
Non-current liabilities			
Deferred income		**5,915**	23,756
Lease liabilities	*15*	**894,024**	933,989
Provisions		**61,599**	56,422
		961,538	1,014,167
Net assets		**1,269,928**	1,521,421
Capital and reserves			
Share capital	*16*	**176**	176
Share premium and reserves		**1,201,153**	1,457,667
Equity attributable to owners of the Company		**1,201,329**	1,457,843
Non-controlling interest		**68,599**	63,578
Total equity		**1,269,928**	1,521,421

1. GENERAL INFORMATION

Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the main board of The Stock Exchange of Hong Kong Limited 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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and 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 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

New and amendments to IFRSs that are mandatorily effective for the current year - continued

2.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transitional provisions:

i. the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;

ii. the Group also, as at January 1, 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group recognised both the deferred tax assets and deferred tax liabilities on a gross basis but it has no impact on the retained earnings at the earliest period presented.

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:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1. Effective for annual periods beginning on or after a date to be determined.
2. Effective for annual periods beginning on or after 1 January 2024.
3. Effective for annual periods beginning on or after 1 January 2025.

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

3. REVENUE

The Group generates revenues from restaurant operation and sales of condiment products and other goods.

For restaurant operation the control of services and food is transferred at a point in time, revenue is recognised when the related services have been rendered to customers.

The Group operates several kinds of customer loyalty program for its restaurant operation, including:

- **Prepaid cards.** Prepaid card is purchased by customers with a discount to its face value, which can be utilised in the future consumption in restaurants at customers' discretion. The amount received from selling prepaid cards is recorded in contract liabilities and deferred until they are redeemed by customers when the Group fulfils its obligations to provide services or goods or when they expire.

- **The customer loyalty points.** Customers are granted with loyalty points via consumption in restaurants, which entitle them to future purchases and consumptions in restaurants by offsetting the award credits. The loyalty point is treated as a separate performance obligation and will be expired at the end of the coming year. The Group allocates the transaction price to each performance obligation on a relative standalone selling price basis. The amount allocated to the loyalty point is recorded in contract liabilities and deferred until the loyalty points are redeemed when the Group fulfils its obligations to provide services or goods or when the points expire. In determining the relative standalone selling price of the loyalty point, the Group considers likelihood of future redemption based on historical redemption pattern and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

- **The privilege membership program.** Customers purchase the privilege membership with consideration, which offer customers with privilege members rights to multiple benefits with a twelve months' valid period after the purchase. Consideration received is recorded in contract liabilities and deferred until it is redeemed by customers when the Group fulfils its obligations to provide services or goods or when it expires. The Group allocates consideration received to benefits based on their relative standalone selling price. In determining the relative standalone selling price of the benefits, the Group considers likelihood of future redemption based on historical redemption pattern and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

Revenue from the sales of condiment products and other goods for which the control of goods is transferred at a point in time, is recognised when the goods are delivered and titles have been passed.

3. REVENUE – continued

(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 and services, net of discount and sales related taxes, are as follows:

	For the year ended 31 December 2023			
	Xiabuxiabu *RMB'000*	**Coucou** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Type of goods or service				
Restaurant operations	**3,021,971**	**2,651,793**	**22,026**	**5,695,790**
Sales of condiment products	**–**	**–**	**122,004**	**122,004**
Sales of other goods and services	**1,907**	**64**	**98,197**	**100,168**
Total	**3,023,878**	**2,651,857**	**242,227**	**5,917,962**
Geographical markets				
Mainland China	**3,004,393**	**2,340,621**	**242,227**	**5,587,241**
Other markets	**19,485**	**311,236**	**–**	**330,721**
Total	**3,023,878**	**2,651,857**	**242,227**	**5,917,962**

3. REVENUE – continued

(i) Disaggregation of revenue from contracts with customers – continued

	For the year ended 31 December 2022			
	Xiabuxiabu *RMB'000*	Coucou *RMB'000*	Others *RMB'000*	Total *RMB'000*
Type of goods or service				
Restaurant operations	2,268,490	2,205,488	–	4,473,978
Sales of condiment products	–	–	142,617	142,617
Sales of other goods and services	17,329	361	90,549	108,239
Total	2,285,819	2,205,849	233,166	4,724,834
Geographical markets				
Mainland China	2,285,819	1,981,654	233,166	4,500,639
Other markets	–	224,195	–	224,195
Total	2,285,819	2,205,849	233,166	4,724,834

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

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

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

As at 31 December 2023

	Privilege membership programs ***RMB'000***	**Customer loyalty scheme** ***RMB'000***	**Prepaid cards** ***RMB'000***	**Advance from customer** ***RMB'000***
Within one year	**44,542**	**21,048**	**343,700**	**6,287**
Total	**44,542**	**21,048**	**343,700**	**6,287**

3. REVENUE – continued

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers – continued

As at 31 December 2022

	Customer loyalty scheme *RMB'000*	Prepaid cards *RMB'000*	Advance from customer *RMB'000*
Within one year	19,140	377,451	3,343
Total	19,140	377,451	3,343

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.

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". In addition, included in "Others" is a recently established procurement function which centrally purchases raw materials and consumables and sells to Xiabuxiabu and Coucou restaurants.

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 2023

	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	3,023,878	2,651,857	5,675,735	242,227	–	5,917,962
Inter-segment sales	–	–	–	437,466	(437,466)	–
	3,023,878	2,651,857	5,675,735	679,693	(437,466)	5,917,962
Segment results (Note)	118,441	(2,957)	115,484	(27,569)	–	87,915
Impairment losses on property, plant and equipment	(17,518)	(65,816)	(83,334)	(19,875)	–	(103,209)
Impairment losses on right-of-use assets	(23,541)	(19,414)	(42,955)	(3,921)	–	(46,876)
Reversal of impairment losses on other receivables	1,330	–	1,330	–	–	1,330
Impairment loss on rental deposit	(3,415)	(6,692)	(10,107)	(2,629)	–	(12,736)
Loss on closure of restaurants	(1,161)	(359)	(1,520)	–	–	(1,520)
Gain from changes in fair value of financial assets at FVTPL	42,576	–	42,576	1,657	–	44,233
Loss on disposal of property, plant and equipment, net	(1,061)	(449)	(1,510)	(839)	–	(2,349)
Interest on bank borrowings	(1,291)	(2,691)	(3,982)	(3,180)	–	(7,162)
Segment profit (loss)	114,360	(98,378)	15,982	(56,356)	–	(40,374)
Unallocated central administration costs						(77,889)
Unallocated directors' emoluments						(6,112)
Loss before tax						(124,375)

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 amortisation	(510,201)	(395,993)	(906,194)	(21,328)	(1,078)	(928,600)
Gain on termination of lease	13,403	–	13,403	–	–	13,403
Gain on reassessment of lease liabilities	12,276	8,603	20,879	–	–	20,879
Finance costs (excluding interest on bank borrowings)	(38,766)	(25,893)	(64,659)	(609)	–	(65,268)
Impairment of write-down of inventories	–	–	–	(44,555)	–	(44,555)

4. OPERATING SEGMENTS – continued

Segment revenues and results - continued

For the year ended 31 December 2022

	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	2,285,819	2,205,849	4,491,668	233,166	–	4,724,834
Inter-segment sales	–	–	–	299,904	(299,904)	–
	2,285,819	2,205,849	4,491,668	533,070	(299,904)	4,724,834
Segment results (Note)	(192,609)	(71,100)	(263,709)	44,552	–	(219,157)
Impairment losses on property, plant and equipment	(13,087)	(10,187)	(23,274)	–	–	(23,274)
Impairment losses on right-of-use assets	(22,654)	(7,372)	(30,026)	–	–	(30,026)
Reversal of impairment losses on other receivables	259	–	259	–	–	259
Impairment loss on rental deposit	(1,327)	(4,001)	(5,328)	–	–	(5,328)
Loss on closure of restaurants	(1,214)	(149)	(1,363)	–	–	(1,363)
Gain from changes in fair value of financial assets at FVTPL	15,542	6	15,548	746	–	16,294
Loss on disposal of property, plant and equipment, net	(1,226)	(289)	(1,515)	–	–	(1,515)
Interest on bank borrowings	(1,000)	–	(1,000)	(1,547)	–	(2,547)
Segment (loss) profit	(217,316)	(93,092)	(310,408)	43,751	–	(266,657)
Unallocated loss from changes in fair value of financial assets at FVTPL						(2,294)
Unallocated central administration costs						(74,511)
Unallocated directors' emoluments						(7,473)
Loss before tax						(350,935)

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 amortisation	(522,694)	(422,436)	(945,130)	(16,284)	(2,137)	(963,551)
Gain on termination of lease	27,860	–	27,860	–	–	27,860
Gain on reassessment of lease liabilities	3,382	2,037	5,419	–	–	5,419
Finance costs (excluding interest on bank borrowings)	(42,098)	(32,917)	(75,015)	(1,032)	–	(76,047)
Impairment of write-down of inventories	(4,768)	(2,555)	(7,323)	–	–	(7,323)

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 financial assets and (v) Loss on closure of restaurants.

4. OPERATING SEGMENTS – continued

Segment revenues and results - 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 2023					
	Xiabuxiabu	**Coucou**	**Total reportable segments**	**Others**	**Unallocated assets**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment assets	**2,855,417**	**986,348**	**3,841,765**	**211,025**	**63,481**	**4,116,271**
Other segment information						
Amounts included in the measure of segment assets:						
Interest in a joint venture	–	–	–	**100,164**	–	**100,164**
Additions to property, plant and equipment	**364,834**	**77,572**	**442,406**	**40,594**	–	**483,000**
Additions to right-of-use assets	**414,405**	**90,050**	**504,455**	**8,400**	–	**512,855**
Segment liabilities	**2,048,453**	**591,169**	**2,639,622**	**206,721**	–	**2,846,343**

	As at 31 December 2022					
	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated assets	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	2,397,752	1,314,600	3,712,352	530,817	66,969	4,310,138
Other segment information						
Amounts included in the measure of segment assets:						
Interest in a joint venture	–	–	–	49,149	–	49,149
Additions to property, plant and equipment	153,419	148,945	302,364	31,752	–	334,116
Additions to right-of-use assets	309,707	107,225	416,932	5,274	–	422,206
Segment liabilities	1,742,129	852,133	2,594,262	194,455	–	2,788,717

4. OPERATING SEGMENTS – continued

Segment assets and liabilities - 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 refer to Note 3.

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Mainland China	**2,077,505**	2,269,888
Other markets	**177,664**	159,796
	2,255,169	2,429,684

5. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment, net	**(2,349)**	(1,515)
Gain on termination of lease *(i)*	**13,403**	27,860
Gain on reassessment of lease liabilities *(ii)*	**20,879**	5,419
Foreign exchange (loss) gain, net	**(3,813)**	4,793
Reversal of impairment loss on other receivables	**1,330**	259
Impairment loss on rental deposit	**(12,736)**	(5,328)
Impairment loss recognised in respect of property, plant and equipment	**(103,209)**	(23,274)
Impairment loss recognised in respect of right-of-use assets	**(46,876)**	(30,026)
Impairment of write-down of inventories	**(44,555)**	(7,323)
Gain from changes in fair value of financial assets at FVTPL	**44,233**	14,000
Others	**(1,520)**	(1,363)
	(135,213)	(16,498)

5. OTHER GAINS AND LOSSES – continued

Notes:

(i) According to the performance of the restaurants and the business development plan, the Group closed down a number of under-performing restaurants to reinitiate the business and maintain the overall profitability level of the Group. The Group exercised the early termination option to terminate the lease contracts before the previously expected date. A net gain on termination of lease amounting to RMB13,403,000 was recognised for the year ended 31 December 2023 (2022: RMB27,860,000).

(ii) For the restaurants that the Group plans to exercise the early termination option, the Group remeasures 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, for the leases that the carrying amount of the right-of-use assets have been reduced to zero, the Group recognised the gain on remeasurement of lease liabilities in profit or loss amounting to RMB20,879,000 for the year ended 31 December 2023 (2022: RMB5,419,000).

6. FINANCE COSTS

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**62,748**	73,464
Interest on bank borrowings	**7,162**	2,547
Interest on provisions	**2,520**	2,583
	72,430	78,594

7. LOSS BEFORE TAX

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Depreciation of right-of-use assets	**537,555**	561,449
Depreciation of property, plant and equipment	**388,991**	400,669
Amortisation of intangible assets	**2,054**	1,433
Total depreciation and amortisation	**928,600**	963,551
Rentals in respect of restaurants lease payments		
– short-term lease *(i)*	**41,394**	29,382
– Covid-19-related rent concessions	**–**	(5,060)
– variable lease payment *(ii)*	**72,569**	57,861
– other rental expenses *(iii)*	**197,122**	169,610
Total property rentals and related expenses	**311,085**	251,793
Directors' emoluments	**6,112**	9,053
Other staff cost		
Salaries and other allowance	**1,715,304**	1,412,751
Equity-settled share-based payments	**334**	(359)
Retirement benefit contribution	**141,142**	132,098
Total staff costs	**1,862,892**	1,553,543
Auditor's remuneration	**3,000**	3,000

Notes:

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

(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.

(iii) The other rental expense refers to the property management fee paid to the landlord.

8. INCOME TAX EXPENSE (BENEFIT)

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Enterprise income tax ("**EIT**")		
Current tax	**5,712**	14,413
Deferred tax	**64,358**	(34,160)
Total income tax recognised in profit or loss	**70,070**	(19,747)

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, China 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 RMB1,312 million as at 31 December 2023 (2022: RMB1,159 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.

9. LOSS PER SHARE

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Loss figures are calculated as follows:		
Loss for the year attributable to owners of the Company	**(199,466)**	(353,052)

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

	For the year ended 31 December	
	2023	2022
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,040,926**	1,056,404
Effect of dilutive potential ordinary shares *(Note)*	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,040,926**	1,056,404

Note: The calculation of diluted loss per share for the year ended 31 December 2023 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 (2022: decrease in loss per share).

10. DIVIDENDS

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year	**60,000**	60,000

On 7 June 2023, the Company declared a dividend of RMB0.028 (2022: RMB0.028) per share with total dividends of RMB30,000,000 (2022: RMB30,000,000) to shareholders for the year ended 31 December 2022. The dividend was paid in June 2023.

On 11 October 2023, the Company declared a dividend of RMB0.028 per share with total dividends of RMB30,000,000 to shareholders for the period ended 30 June 2023 (2022: RMB30,000,000). The dividend was paid in October 2023.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2023 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.

11. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
As at 31 December 2023			
Carrying amount	55,136	1,198,905	1,254,041
As at 31 December 2022			
Carrying amount	107,254	1,310,036	1,417,290
For the year ended 31 December 2023			
Depreciation charge	1,903	535,652	537,555
Impairment recognised in profit or loss *(i)*	–	46,876	46,876
	1,903	582,528	584,431
For the year ended 31 December 2022			
Depreciation charge	2,538	558,911	561,449
Impairment recognised in profit or loss *(i)*	–	30,026	30,026
	2,538	588,937	591,475

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Expense relating to short-term leases	**41,394**	29,382
Variable lease payments not included in the measurement of lease liabilities	**72,569**	57,861
Total cash outflow for leases *(ii)*	**752,437**	653,343
Additions to right-of-use assets *(iii)*	**512,855**	422,206

Notes:

(i) After the assessment, the recoverable amount of the right-of-use asset was RMB1,254,041,000 (2022: RMB1,417,290,000) and an impairment of RMB46,876,000.00 (2022: RMB30,026,000) was recognised during the current year.

(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. These amounts have been presented in operating, investing or financing cash flows accordingly.

11. RIGHT-OF-USE ASSETS – continued

Notes: – continued

(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.

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 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above (2022: similar).

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on 1% to 15% (2022: 1% to 17%) 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, Hong Kong, China and Singapore where the Group operates.

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

For the year ended 31 December 2023

	Number of restaurants	**Fixed payments** *RMB'000*	**Variable payments** *RMB'000*	**Total** *RMB'000*
Restaurants without variable lease payments	**348**	**164,907**	**–**	**164,907**
Restaurants with variable lease payments	**768**	**385,505**	**72,569**	**458,074**
	1,116	**550,412**	**72,569**	**622,981**

11. RIGHT-OF-USE ASSETS – continued

For the year ended 31 December 2022

	Number of restaurants	Fixed payments *RMB'000*	Variable payments *RMB'000*	Total *RMB'000*
Restaurants without variable lease payments	351	150,340	–	150,340
Restaurants with variable lease payments	779	334,400	57,861	392,261
	1,130	484,740	57,861	542,601

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	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**69,842**	51,006
Prepaid operating expenses	**28,831**	24,978
Prepayments to suppliers	**302**	2,995
Amounts prepaid to the RSU trustee for purchase of ordinary shares	**756**	756
Input value-added tax recoverable	**274,524**	163,018
Other receivables	**52,143**	56,147
	426,398	298,900
Less: Allowance for credit losses	**(32,143)**	(33,957)
Total trade and other receivables and prepayments	**394,255**	264,943

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

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

	2023	2022
	RMB'000	*RMB'000*
At 1 January	**33,957**	34,543
Impairment losses recognised	**–**	171
Impairment losses reversed	**(1,330)**	(430)
Write-offs	**(484)**	(327)
At 31 December	**32,143**	33,957

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	
	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**58,644**	40,420
31 to 90 days	**9,141**	9,595
91 to 180 days	**2,057**	991
	69,842	51,006

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	
	2023	2022
	RMB'000	*RMB'000*
Financial products *(Note)*	**653,994**	390,203
	653,994	390,203
Analysed for reporting purpose as:		
Current assets	**526,741**	290,189
Non-current asset *(Note)*	**127,253**	100,014
	653,994	390,203

Note:

As at 31 December 2023, the Group's financial assets at FVTPL are the financial products issued by banks and investment fund companies which have no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return, depending on the market price of underlying financial instruments, including government bonds, central bank bills, trust and other financial assets.

The maturity date of the financial products classified as non-current asset are 13 July 2028 and 12 September 2028 (2022: 4 January 2024).

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	
	2023	2022
	RMB'000	*RMB'000*
Within 60 days	**260,926**	237,424
61 to 180 days	**3,675**	4,391
181 days to 1 year	**4,513**	520
Over 1 year	**–**	399
	269,114	242,734

15. LEASE LIABILITIES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**379,035**	493,231
Within a period of more than one year but not exceeding two years	**377,488**	392,688
Within a period of more than two year but not exceeding five years	**483,313**	492,140
Within a period of more than five years	**33,223**	49,161
	1,273,059	1,427,220
Less: Amount due for settlement with 12 months shown under current liabilities	**(379,035)**	(493,231)
Amount due for settlement after 12 months shown under non-current liabilities	**894,024**	933,989

The weighted average incremental borrowing rates applied to lease liabilities range from 3.60% to 5.88% (2022: 3.60% to 5.88%).

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

	SGD	**HKD**	**USD**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2023	**5,057**	**94,142**	**911**
As at 31 December 2022	5,701	82,281	23

16. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December	
	2023	2022
	USD'000	*USD'000*
Share capital of US$0.000025 each	**27**	27
	RMB'000	*RMB'000*
Presented as:		
Ordinary shares	**176**	176

	As at 31 December	
	2023	2022
	'000	*'000*
Number of shares:		
Fully paid ordinary shares	**1,086,174**	1,086,174

Ordinary shares

	Authorised shares		Issued capital	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*
Balance at 31 December 2021	2,000,000	336	1,085,898	176
Exercise of issued share option	–	–	276	–
Balance at 31 December 2022 and 2023	**2,000,000**	**336**	**1,086,174**	**176**

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board recommends the payment of a final dividend of RMB0.028 per share of the Company for the year ended 31 December 2023 (the "**2023 Final Dividend**") to be paid out of the Company's share premium account, subject to the approval of the Company's shareholders (the "**Shareholder(s)**") at the forthcoming annual general meeting (the "**AGM**") to be convened and held on 24 May 2024 and is payable to those Shareholders whose names appear on the register of members of the Company on 5 June 2024. The 2023 Final Dividend will be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 5 June 2024. The 2023 Final Dividend, if approved by the Shareholders at the AGM, is expected to be paid on or about 17 June 2024.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 May 2024 to 24 May 2024 (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 24 May 2024, 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 21 May 2024.

Subject to the approval of the declaration of the 2023 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from 31 May 2024 to 5 June 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the 2023 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 30 May 2024.

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**") as set out in Appendix 14 to the Listing Rules in force during the year ended 31 December 2023 (i.e. the new Appendix C1 to the Listing Rules with effect from 31 December 2023) 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 2023, the Company applied the principles of good corporate governance and complied with the applicable code provisions of Part 2 of the Code, except for a deviation from code provision C.2.1 of Part 2 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, for reasons set out below.

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 1 executive Director (i.e. Mr. Ho Kuang-Chi), 2 non-executive Directors and 3 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules in force during the year ended 31 December 2023 (i.e. the new Appendix C3 to the Listing Rules with effect from 31 December 2023)(the "**Model Code**") 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 2023.

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's relevant employees was noted by the Company during the year ended 31 December 2023.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2023.

Details of the shares purchased by the trustee appointed for the administration of the restricted share unit scheme of the Company approved on 28 November 2014 during the year ended 31 December 2023 will be disclosed in the annual report of the Company for the year ended 31 December 2023.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this announcement.

AUDIT COMMITTEE

The Company established the audit committee (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, Mr. Hon Ping Cho Terence and Mr. Kot Man Tat and a non-executive Director, namely Ms. Li Jie. Mr. Hon Ping Cho Terence 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 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 (www.hkexnews.hk) and that of the Company (www.xiabu.com). The annual report of the Company for the year ended 31 December 2023 will be despatched to the Shareholders and will be available on the website of the Stock Exchange and that of the Company in due course.

(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board proposes to put forward to the Shareholders for approval at the AGM a special resolution to amend the articles of association of the Company (the "**Articles of Association**").

The proposed amendments to the existing Articles of Association (the "**Proposed Amendments**") are for the purposes of, among others, (i) updating and bringing the existing Articles of Association in line with the latest regulatory requirements pursuant to the Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Stock Exchange in June 2023 and the relevant amendments to the Listing Rules of which came into effect on 31 December 2023 which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders; and (ii) incorporating certain housekeeping amendments for better alignment with the Listing Rules and the applicable laws of the Cayman Islands. Full version of the Proposed Amendments will be set out in the appendix to the circular to be published by the Company.

The Board is of the view that the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

The Proposed Amendments are subject to the approval of the Shareholders by way of special resolution at the AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the AGM, the existing Articles of Association shall remain valid.

After the Proposed Amendments come into effect, the full text of the Articles of Association having incorporated all the Proposed Amendments will be published on the websites of the Stock Exchange and the Company.

A circular containing, among other things, full version of the Proposed Amendments together with the notice of the AGM will be published on the websites of the Company (www.xiabu.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the Shareholders in due course.

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

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises Mr. HO Kuang-Chi as executive Director; Ms. CHEN Su-Yin and Ms. LI Jie as non-executive Directors; and Mr. HON Ping Cho Terence, Ms. CHEUNG Sze Man and Mr. KOT Man Tat as independent non-executive Directors.