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

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	2,156,438	3,046,890
Segment results ⁽¹⁾	(218,435)	124,866
Loss before tax	(302,961)	(53,868)
Total loss for the period	(278,151)	(46,932)
Total loss for the period attributable to owners of the Company	(279,535)	(49,921)

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

INTERIM DIVIDEND

The Board declared an interim dividend of RMB0.028 per share, amounting to approximately a total of RMB30.0 million for the six months ended 30 June 2022.

The board of directors (the “**Board**”) of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results (the “**Interim Results**”) of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”).

BUSINESS REVIEW AND OUTLOOK

Overview

In the first half of 2022, the Group opened 6 new Xiabuxiabu restaurants and operated 810 Xiabuxiabu restaurants in 23 provinces and autonomous regions and 3 centrally administered municipalities in China namely Beijing, Tianjin and Shanghai. The Group also opened 15 new Coucou restaurants and operated 198 Coucou restaurants in 21 provinces and 3 centrally administered municipalities, namely Beijing, Tianjin, Shanghai and Hong Kong Special Administrative Region (“**Hong Kong SAR**”) and had overseas operations in Singapore.

The Group’s revenue decreased by 29.2% from RMB3,046.9 million in the first half of 2021 to RMB2,156.4 million in the same period in 2022. The sales from the Xiabuxiabu decreased by 43.1% from RMB1,867.4 million in the first half of 2021 to RMB1,063.5 million for the same period in 2022. The sales generated from the Coucou decreased by 9.1% from RMB1,126.5 million in first half of 2021 to RMB1,024.3 million for the same period in 2022. The loss for the period had increased from RMB46.9 million in the first half of 2021 to RMB278.2 million for the same period in 2022. As the ongoing pandemic continues, many of the Group’s operations had to comply with the pandemic control measures which results in lower traffic and operational disruptions. As a result, the Group was unable to deliver profit in the first half of 2022. Going into the second half of the year, the Group will continue to comply with the pandemic control measures set forth by the government and continue to review and improve the Group’s operations to deliver better results in the end of 2022.

Operational Highlights

The Group’s restaurant network

In the first half of 2022, the Group opened 6 Xiabuxiabu restaurants and 15 Coucou restaurants. In addition, the Group closed a total of 37 Xiabuxiabu restaurants in the first half of 2022 due to commercial reasons.

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

	As at 30 June			
	2022		2021	
	#	%	#	%
Tier 1 cities ⁽¹⁾	302	37.3	372	34.6
Tier 2 cities ⁽²⁾	292	36.0	445	41.3
Tier 3 cities and below ⁽³⁾	216	26.7	260	24.1
Total	810	100.0	1,077	100.0

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

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

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

	As at 30 June			
	2022		2021	
	#	%	#	%
Tier 1 cities ⁽¹⁾	75	37.9	61	40.9
Tier 2 cities ⁽²⁾	108	54.5	83	55.7
Tier 3 cities and below ⁽³⁾	5	2.5	1	0.7
Outside mainland China ⁽⁴⁾	10	5.1	4	2.7
Total	198	100.0	149	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, Jiaying, Nanning, Nantong, Ningbo, Quanzhou, Xiamen, Zhaoqing, Suzhou, Wenzhou, Wuxi, Xuzhou and Zhuhai.

(3) Yangzhou, Putien, Shantou, Taizhou and Haikou.

(4) Hong Kong SAR and Singapore.

Key operational information of the Group's restaurants

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

	For the six months ended 30 June	
	2022	2021
Net Revenue (in RMB thousands)		
Tier 1 cities ⁽¹⁾	486,516	841,749
Tier 2 cities ⁽²⁾	356,946	633,965
Tier 3 cities and below ⁽³⁾	205,674	369,135
Total	1,049,136	1,844,849
Average spending per customer (RMB)⁽⁴⁾		
Tier 1 cities ⁽¹⁾	67.2	65.2
Tier 2 cities ⁽²⁾	59.7	59.8
Tier 3 cities and below ⁽³⁾	60.5	60.0
	63.1	62.2
Seat turnover rate (x)⁽⁵⁾		
Tier 1 cities ⁽¹⁾	2.2	2.8
Tier 2 cities ⁽²⁾	1.8	2.1
Tier 3 cities and below ⁽³⁾	1.5	1.9
	1.9	2.3

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

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

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

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

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

As the Group closed over 200 restaurants in second half of 2021, then another 37 restaurants in the first half of 2022 and the pandemic continued to linger such that the government implemented strict pandemic control measure which affected many of the Group's operations, the net revenue generated from Xiabuxiabu restaurants decreased by 43.1% from RMB1,844.8 million for the six months ended 30 June 2021 to RMB1,049.1 million for the six months ended 30 June 2022. Average customer spending in the first half of 2022 was RMB63.1, slightly higher than the first half of 2021 primarily due to more new products being launched to provide more product range to the Group's customers. The seat turnover rate decreased from 2.3x for the six months ended 30 June 2021 to 1.9x for the six months ended 30 June 2022 as many districts were suffering from lock down where residents were not allowed to go out of their residential districts which severely affect the traffic turnover at the Group's restaurants.

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

	For the six months ended 30 June	
	<u>2022</u>	<u>2021</u>
Number of same-store*		
Tier 1 cities	313	
Tier 2 cities	309	
Tier 3 cities and below	189	
Total	811	
Same-store sales (in RMB million)		
Tier 1 cities	307.6	544.2
Tier 2 cities	190.4	316.3
Tier 3 cities and below	65.3	147.7
Total	563.3	1,008.2
Same-store sales growth (%)		
Tier 1 cities	(43.5)	
Tier 2 cities	(39.8)	
Tier 3 cities and below	(55.8)	
	(44.1)	

* Including restaurants that commenced operations prior to the beginning of the periods under comparison and opened for the same number of days in both 2021 and 2022.

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

	For the six months ended 30 June	
	2022	2021
Net Revenue (in RMB thousands)		
Tier 1 cities ⁽¹⁾	383,802	518,587
Tier 2 cities ⁽²⁾	538,900	558,146
Tier 3 cities and below ⁽³⁾	20,891	5,072
Outside mainland China ⁽⁴⁾	80,375	43,913
Total	<u>1,023,968</u>	<u>1,125,718</u>
Average spending per customer (RMB)⁽⁵⁾		
Tier 1 cities ⁽¹⁾	150.5	139.6
Tier 2 cities ⁽²⁾	135.5	128.2
Tier 3 cities and below ⁽³⁾	130.9	124.1
Outside mainland China ⁽⁴⁾	292.5	283.2
	<u>147.1</u>	<u>136.2</u>
Table turnover rate (x)⁽⁶⁾		
Tier 1 cities ⁽¹⁾	2.0	2.8
Tier 2 cities ⁽²⁾	1.9	2.5
Tier 3 cities and below ⁽³⁾	2.1	1.8
Outside mainland China ⁽⁴⁾	1.9	2.4
	<u>1.9</u>	<u>2.6</u>

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

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

(3) Yangzhou, Putien, Shantou, Taizhou and Haikou.

(4) Hong Kong SAR and Singapore.

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

- (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 period. For the delivery part, the delivery sales that equals to the average dine-in customer spending is regarded as one dine-in customer.

In the first half of 2022, due to the lingering effects of the pandemic where residents had to comply with stay at home quarantine measures which greatly affected the number of physical turnover at the restaurant level, the table turnover rate of Coucou restaurants decreased from 2.6x in the first half of 2021, to 1.9x in the first half of 2022. Average spending per customer in the first half of 2022 was RMB147.1 compared to RMB136.2 for the six months ended 30 June 2021, representing an increase of 8.0% as compared with that for the first half of 2021, which was mainly attributable to more group purchase business was generated during the pandemic.

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

	For the six months ended 30 June	
	2022	2021
Number of same-store*		
Tier 1 cities	60	
Tier 2 cities	80	
Tier 3 cities and below	1	
Outside mainland China	4	
Total	145	
Same-store sales (in RMB million)		
Tier 1 cities	284.1	384.8
Tier 2 cities	380.5	504.5
Tier 3 cities and below	3.2	5.1
Outside mainland China	34.7	39.4
Total	702.5	933.8
Same-store sales growth (%)		
Tier 1 cities	(26.2)	
Tier 2 cities	(24.6)	
Tier 3 cities and below	(37.3)	
Outside mainland China	(11.9)	
	(24.8)	

* Including restaurants that commenced operations prior to the beginning of the periods under comparison and opened for the same number of days in both 2021 and 2022.

Outlook

Company Outlook

2022 had been a very challenging year, the Company had continued to make certain changes to overcome these obstacles:

- Bring Xiabuxiabu back to the value for money model: launching value for money sets that represents the appropriate model which is targeted towards the mass market. Launching new soup base sets ranging from Rmb 50-70, which includes condiments, main dishes and signature tea drinks. The menu for two person sets has also been completely revised and the vegetable platter was enriched from one set to two, which will definitely give our customers a great value dining experience.
- Continue to expand Coucou restaurants: Coucou has been proven to be a successful and profitable model for the Group. In the first half of 2022, due to the pandemic occurring in Shenzhen, Shanghai and Beijing, Coucou operations had been affected and compared to 2021, sales was down by 9.1%. The Group believes that if pandemic is able to ease up in the second half of 2022, the Group would be able to see a reasonable strong rebound in Coucou operations. The Group remains optimistic about the future outlook of Coucou not only in China but also in its overseas expansion.
- Strengthen customer loyalty program: the rolling out of a new loyalty programme of the brands will allow the Group's customers to establish a stronger bonding with the Group through spending as a registered member. By registering one account, members will gain points through their purchase at the restaurants and food company through official online shops (官方網上商城) to get points which will allow them to upgrade their spending tiers and enjoy different benefits as their spending tier changes. Members can also use their points to redeem gifts across the brands.
- Set up the second headquarter in Shanghai: in order to execute our expansion strategy into the East and Southern parts of China, the Group has setup the second headquarter in Minhang District Shanghai, which allows the Group to expand into the coastal cities and tier-one cities in Yangtze River Delta, Greater Bay Area, etc. such as Shanghai, Shenzhen, Guangzhou followed by the new tier-one cities and lastly towards the Northwest and Southwest areas.
- Continue to expand the investment in upstream processing factory: in order to remain competitive in the business, cost control is an important element that the Group will have to focus on. In 2019, the Group invested in a processing plant in Xilin Gol league. This processing unit had capacity to process 15,000 tons of lambs and beef there is still further capacity that is yet to be utilized. In the next 3 years, the Group had planned to further invest RMB100 million to upgrade the logistic, procurement and quality control of this processing unit. Going forward, the Group will continue to explore to process other products to expand business channels.

Business Outlook

In China, the government had set a target to achieve GDP of 5.5% for 2022, as of the end of first half, actual GDP was 2.5%. In order to achieve annual target of 5.5% the government launched various stimulus plans to reinvigorate the economy, for example stimulate the economy through increasing investment in infrastructure and tax relief to corporations and adapt market sustainable approach to incentivise consumption. In June, 11 departments including the Ministry of Commerce and the National Development and Reform Commission jointly issued the “Notice on the Implementation of Supporting Policies for the Restoration and Development of the Catering Industry”, which clearly identified six aspects to focus on the implementation of supporting policies for the recovery and development of the catering industry. This will allow businesses to continue operating and make sure employment stability so that money can flow back into the economy to ensure that the dual-cycle model can sustain. At the same time, local governments are also actively introducing various measures to ease the pressure on catering companies. It is expected that when the epidemic eases up in the second half of 2022, consumers will continue to go out to spend, so that retail and catering and other industries are expected to enjoy the benefits of economic recovery.

2022 Industry Outlook

The first half of 2022 had marked a challenging period of the year with the pandemic spreading into different parts of China, where pandemic control measures were imposed by the government to continue to comply with the dynamic zero approach to deal with the pandemic. As a result, residents in lockdown area will have to quarantine at home and not be allowed to go out. There is no doubt that it had created a challenging environment for many business in various industries. For food and beverage industry (“F&B”), this means customers will not be able to physically dine in restaurants, which greatly affects the seat (table) turnover. This explained why many enterprises recorded net loss in the first half of the year.

As challenging as it gets, it is important to think of ways to survive. Some brands gradually expand their business model by adding on delivery through online mechanism. This is a model that worked well especially during the pandemic where residents had to stay home and needed food. Delivery not only becomes a solution for residents but also opens a gateway for F&B operators to recover some of their business. The sales generated from delivery business in China is expected to reach RMB941.7 billion in the end of 2022. As the younger generation tends to stay at home spending time on social media, many F&B operators had partnered with famous KOL (直播+外賣) to promote their products and this had become another new channel to generate sales.

The government had been giving out consumption voucher to try to encourage citizens to spend more in order to revive the economy and various sectors. In Beijing, Xiabuxiabu partnered with China Construction Bank and Eleme collaboratively and with the usage of 8,000 vouchers, customer traffic at the restaurants increased by over 32% and the sales achieved close to RMB1.0 million. Recently many local governments such as Beijing, Shanghai, Tianjin, Ningbo, Hefei, Jiangxi and etc have started to disburse a new round of consumer spending coupons which can be used at outlets like automobiles, home appliances, catering and etc. The validity period covering summer, mid-Autumn, National Day, “Double Eleven” and other key holidays and consumption peak seasons. To stimulate a faster rebound in catering industry, Beijing issues RMB100.0 million dining consumption vouchers for general consumers and special dining consumption cards for elderly and disabled people which can be used in take-out food and on-site dining. The “Aigou Shanghai” in Shanghai, amounting to RMB1.0 billion of electronic consumer vouchers will be issued in late August to late November. The “Quality Life Festival” in Tianjin, a total value of RMB46.0 million of consumer coupon activities will be launched. In Ningbo, RMB300.0 million consumer vouchers will be issued. Hefei will distribute the third batch of consumption vouchers amounting to RMB18.0 million in the summer consumption season started on August 19. In Jiangxi, consumption vouchers with a total value of RMB120.0 million will be distributed

in consumption seasons in summer, mid-Autumn, National Day and etc. The government in Hong Kong SAR also introduced similar scheme in April 2022, as a result F&B recorded approximately 15% in sales, it is believed that the increment will be similar when the second batch of voucher will be released in August. The consumer voucher scheme had proven to be a very useful tool to help revive the economy and we hope that the government will consider launching more similar schemes to revitalize different sectors in the economy.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's consolidated statement of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the periods indicated, together with the change (expressed in percentages) from the six months ended 30 June 2021 to the six months ended 30 June 2022:

	For the six months ended 30 June				Period-to-period change %
	2022		2021		
	RMB'000	%	RMB'000	%	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	2,156,438	100.0	3,046,890	100.0	(29.2)
Other income	43,219	2.0	59,258	1.9	(27.1)
Raw materials and consumables used	(811,476)	(37.6)	(1,134,828)	(37.2)	(28.5)
Staff costs	(754,099)	(35.0)	(926,685)	(30.4)	(18.6)
Property rentals and related expenses	(133,700)	(6.2)	(140,772)	(4.6)	(5.0)
Utilities expenses	(75,292)	(3.5)	(94,897)	(3.1)	(20.7)
Depreciation and amortization	(473,482)	(22.0)	(530,986)	(17.4)	(10.8)
Other expenses	(172,200)	(8.0)	(206,974)	(6.8)	(16.8)
Other gains and losses	(37,981)	(1.8)	(75,477)	(2.5)	(49.7)
Finance costs	(44,388)	(2.1)	(49,397)	(1.6)	(10.1)
Loss before tax	(302,961)	(14.0)	(53,868)	(1.7)	462.4
Income tax credit	24,810	1.1	6,936	0.2	257.7
Loss for the period	(278,151)	(12.9)	(46,932)	(1.5)	492.7
Total comprehensive expense for the period	(278,151)	(12.9)	(46,932)	(1.5)	492.7
Loss for the period attributable to:					
Owners of the Company	(279,535)	(13.0)	(49,921)	(1.6)	460.0
Non-controlling interest	1,384	0.1	2,989	0.1	(53.7)
	(278,151)	(12.9)	(46,932)	(1.5)	492.7
Total comprehensive expense attributable to:					
Owners of the Company	(279,535)	(13.0)	(49,921)	(1.6)	460.0
Non-controlling interest	1,384	0.1	2,989	0.1	(53.7)
	(278,151)	(12.9)	(46,932)	(1.5)	492.7
Loss per share					
– Basic (RMB cents per share)	(26.12)		(4.64)		
– Diluted (RMB cents per share)	(26.12)		(4.64)		

Revenue

The Group's revenue decreased by 29.2% from RMB3,046.9 million for the six months ended 30 June 2021 to RMB2,156.4 million for the same period of 2022, primarily due to the increased pandemic control measures imposed by the government which affected the number of operational days of our restaurants, for Xiabuxiabu the affected days was around 92,000 days and 5,900 days for Coucou. The revenue generated from Xiabuxiabu decreased by 43.1% from RMB1,867.4 million for the six months ended 30 June 2021 to RMB1,063.5 million for the same period in 2022. Again, as a result of the on-going pandemic, the revenue contributed by Coucou decreased by 9.1% from RMB1,126.5 million for the six months ended 30 June 2021 to RMB1,024.3 million for the six months ended 30 June 2022. The pandemic lockdown caused residents to stay at home and the sales of condiment products increased from RMB48.1 million for the six months ended 30 June 2021 to RMB48.6 million for the same period in 2022. The Group opened 6 new Xiabuxiabu restaurants and 15 new Coucou restaurants throughout China in the first half of 2022 to enhance its restaurant network.

Other income

The Group's other income decreased from RMB59.3 million for the six months ended 30 June 2021 to RMB43.2 million for the same period in 2022. This was mainly due to no Covid-19 related value-added tax exemption on restaurant operations revenue of the Group during the period in 2022.

Raw materials and consumables used

The Group's raw materials and consumables costs decreased by 28.5% from RMB1,134.8 million for the six months ended 30 June 2021 to RMB811.5 million for the same period of 2022 as a result of decrease in customer traffic and in sales at the restaurants. As a percentage of the Group's revenue, the Group's raw materials and consumables costs increased from 37.2% in the first half of 2021 to 37.6% in the first half of 2022, primarily due to the impact of the epidemic, leading to an increase in the prices of basic raw materials such as meat, vegetables, eggs, etc. The sales of short shelf life products in cities affected by pandemic at nearly cost price.

Staff costs

The Group's staff cost decreased by 18.6% from RMB926.7 million for the six months ended 30 June 2021 to RMB754.1 million for the same period of 2022. The number of the Group's employees decreased from 30,087 as at 30 June 2021 to 25,355 as at 30 June 2022. Staff cost decreased primarily due to the decrease in total number of restaurants in the first half of 2022 compared to the same period in 2021. As a percentage of the Group's revenue, the Group's staff cost increased from 30.4% in the first half of 2021 to 35.0% in the first half of 2022. In connection with the pre-IPO share incentive plan adopted by the Company on 28 August 2009 (the "**Pre-IPO Share Incentive Plan**") and the restricted share unit scheme adopted by the Company on 28 November 2014 (the "**RSU Scheme**"), the Group's equity-settled share-based expenses decreased by approximately 50.5% from RMB5.4 million in the first half of 2021 to RMB2.7 million in the first half of 2022.

Property rentals and related expenses

The Group's property rentals and related expenses decreased by 5.0% from RMB140.8 million for the six months ended 30 June 2021 to RMB133.7 million for the same period in 2022 as a result of: (i) landlords were more willing to offer rent-free periods as the pandemic got worse in the first half of 2022; (ii) turnover rental decreased as dine-in was affected due to pandemic control measures being imposed. As a percentage of the Group's revenue, the Group's property rentals and related expenses increased from 4.6% in the first half of 2021 to 6.2% in the first half of 2022 due to decrease in revenue in the first half of 2022.

Utilities expenses

The Group's utilities expenses decreased by 20.7% from RMB94.9 million for the six months ended 30 June 2021 to RMB75.3 million for the same period of 2022 as the operational days of Group's restaurants was disrupted from the pandemic. As a percentage of the Group's revenue, utilities expenses increased from 3.1% in the first half of 2021 to 3.5% in the first half of 2022.

Depreciation and amortization

The Group's depreciation and amortization decreased by 10.8% from RMB531.0 million for the six months ended 30 June 2021 to RMB473.5 million for the same period of 2022, primarily due to decrease in number of Xiabuxiabu restaurants from 1,077 as at 30 June 2021 to 810 as at 30 June 2022. As a percentage of the Group's revenue, depreciation and amortization increased from 17.4% in the first half of 2021 to 22.0% in the first half of 2022.

Other expenses

The Group's other expenses decreased by 16.8% from RMB207.0 million for the six months ended 30 June 2021 to RMB172.2 million for the same period of 2022 due to decrease in marketing expenses and administrative fees. As a percentage of the Group's revenue, the Group's other expenses increased from 6.8% for the six months ended 30 June 2021 to 8.0% for the same period of 2022.

Other gains and losses

The Group recognized other net losses of RMB38.0 million for the six months ended 30 June 2022 as compared to RMB75.5 million for the six months ended 30 June 2021. The other net losses of RMB38.0 million consist primarily of the provision of an asset impairment loss of approximately RMB49.1 million as the Group expects to close around 37 loss-making Xiabuxiabu restaurants throughout the year, compared to impairment loss of RMB118.8 million in the previous period (as detailed in note 7 to the condensed consolidated financial statements).

Finance costs

The Group recorded finance costs of RMB44.4 million for the six months ended 30 June 2022, mainly derived from interest on lease liabilities of RMB 41.2 million.

Loss before tax

As a result of the foregoing, the Group recorded loss before tax of RMB303.0 million for the six months ended 30 June 2022 as compared to RMB53.9 million for the six months ended 30 June 2021.

Income tax credit

The Group recorded income tax credit of RMB24.8 million for the six months ended 30 June 2022 as compared to RMB6.9 million for the six months ended 30 June 2021.

Loss for the period attributable to owners of the Company

As a result of the cumulative effect of the above factors, the Group recorded loss for the period attributable to owners of the Company of RMB279.5 million for the six months ended 30 June 2022 as compared to RMB49.9 million for the six months ended 30 June 2021.

Liquidity and Capital Resources

For the six months ended 30 June 2022, the Group financed its operations primarily through cash from the Group's operations. The Group intends to finance its expansion and business operations through organic and sustainable growth as well as bank financing.

Cash and cash equivalents

As at 30 June 2022, the Group had cash and cash equivalents of RMB240.4 million (31 December 2021: RMB920.5 million), which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi as to 85.0%, Hong Kong dollars as to 11.5%, U.S. dollars as to 2.1% and Singapore dollars as to 1.4%.

On the other hand, the Group had short-term investments of RMB550.1 million as at 30 June 2022 as detailed in note 16 to the condensed consolidated financial statements as well as the description below.

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

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

As at 30 June 2022, the Group had financial assets at FVTPL which amounted to RMB550.1 million in aggregate (31 December 2021: RMB15.8 million), which mainly represented short-term financial products (the “**Financial Products**”) issued by China Merchants Bank Co., Ltd., Xiamen International Bank, Bank of Inner Mongolia Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Fubon Bank (China) Co., Ltd. (collectively, the “**Banks**”), and Huatai Securities Co., Ltd., and CSC Financial Co., Ltd. (collectively, the “**Investment Fund Companies**”). Financial assets at FVTPL amounting to RMB488.0 million are the Financial Products issued by Banks and Investment Fund Companies which are short-term investments with no predetermined or guaranteed return and are not principal protected. Financial assets at FVTPL amounting to RMB50.6 million are the Financial Products issued by Banks which are short-term investments with predetermined or guaranteed minimum return and are principal protected.

The 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. As at 30 June 2022, the Group held 9 outstanding Financial Products issued by the different Banks and Investment Fund Companies with an aggregate principal amount of RMB538.6 million which shall all mature by no later than 28 December 2022.

The Financial Products which the Group subscribed for during the six months ended 30 June 2022 were with a term ranging from 60 day to 183 days and an expected return rate ranging from 3.5% to 5.1% per annum. The sum realized from the Financial Products during the six months ended 30 June 2022 was recorded as gain from changes in fair value of financial assets designated at financial assets at FVTPL and amounted to approximately RMB13.4 million for the six months ended 30 June 2022.

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 as the Company had, in the past, totally recovered the principal and received the expected returns upon the redemption or maturity of similar financial products. In addition, the Financial Products were with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return. However, in accordance with the relevant accounting standards, the Financial Products are accounted for as financial assets at FVTPL.

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

There was no single financial product in the Group’s investment portfolio that has a carrying amount that account for more than 5% of the Group’s total assets as at 30 June 2022.

The Group purchased additional products with an aggregate principal amount of RMB540.8 million from 1 July 2022 up to the date of this announcement and which remained outstanding as at the date of this announcement. None of these subscriptions, individually or collectively when aggregation is required constitute a disclosable transaction under Chapter 14 of the Listing Rules.

In 2019, Xiabuxiabu Catering Management Co., Ltd. (呷哺呷哺餐飲管理有限公司) (“**Xiabu Beijing**”) acquired certain property, machines and fixtures at a consideration of RMB96.1 million from two non-related individual third parties (the “**Sellers**”) through obtaining ownership of Xilin Gol League Yishun halal meat Co., Ltd. (錫林郭勒盟伊順清真肉類有限責任公司) (“**Yishun**”) of which Yishun has become a subsidiary of the Group. One of the sellers of Yishun, Xiabu Beijing and a third-party trust company entered into several trust agreements under which, the seller entrust the third-party trust company to set up a trust plan (“**the Trust**”) and transferred RMB60.0 million to the Trust on 10 September 2019. According to the Trust agreements, the Trust should complete the purchase of the Company’s shares of RMB60.0 million from the market within the portfolio construction period which has been eventually completed on 11 November 2019 (the “**end of portfolio construction period**”). The Trust would be terminated within three years since the end of portfolio construction period. According to the Trust agreements, the investment principal of RMB60.0 million and a fixed return of RMB2.4 million per annum was guaranteed by Xiabu Beijing and the seller is entitled to additional returns under specific condition based on the price of the stock shares, while Xiabu Beijing will take the residual return/loss from the Trust accordingly, on the net settlement in cash, if any.

In the opinion of the Directors, the Company’s right and obligation in the Trust constitute a derivative which is based on the stock price of the Company. As at 30 June 2022, the fair value of the derivative was RMB11.6 million (As at 31 December 2021: RMB15.8 million), which was recorded as a financial asset measured at FVTPL which represented the fair value changes of the derivative.

Indebtedness

As at 30 June 2022, the Group had short term borrowing of RMB30.0 million including liabilities under discounted bills, or any covenant in connection thereof (31 December 2021: RMB75.8 million).

Gearing ratio

As at 30 June 2022, the Group’s gearing ratio was 1.8%. Gearing ratio was calculated by dividing bank and other borrowings by total equity as of the same date and multiply by 100%.

Capital expenditures

The Group made payment for the capital expenditures representing the purchase of property, plant and equipment of RMB216.8 million for the six months ended 30 June 2021 in connection with new restaurant opening and re-decoration and furnishing of existing stores. For the six months ended 30 June 2022, the Group made payment for the capital expenditure of RMB140.7 million. The Group's capital expenditure in the first half of 2022 was funded primarily by cash generated from its operating activities. In the first half of 2022, the Group opened a total of 21 new restaurants. As at 30 June 2022, the Group did not have any charge over its assets.

Contingent liabilities and guarantees

As at 30 June 2022, the Group did not have any significant unrecorded contingent liabilities, guarantees or litigation against us.

Material acquisitions and future plans for major investment

During the six months ended 30 June 2022, the Group did not conduct any material investments, acquisitions or disposals. The Group has no specific plan for major investment or acquisition for major capital assets or other businesses in accordance with the Listing Rules. However, the Group will continue to identify new opportunities for business development.

Employee and remuneration policies

As at 30 June 2022, the Group had a total of 25,355 employees (31 December 2021: 28,536), of which 90 employees worked at the Group's food processing facilities, 3,184 were restaurant management staff, 21,272 were restaurant operation and service staff and 809 were administrative staff.

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

For the six months ended 30 June 2022, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB754.1 million (30 June 2021: RMB 926.7 million), representing approximately 35.0% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 453,398 shares (representing approximately 0.04% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as at 30 June 2022.

The Company has also adopted the restricted share unit scheme (the “**RSU Scheme**”) which became effective upon the date of listing of the Company. Computershare Hong Kong Trustees Limited has been appointed as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme (the “**RSU Trustee**”). During the Reporting Period, the RSU Trustee purchased an aggregate of 16,883,256 shares at a total cash consideration of approximately HK\$59.3 million on market. The shares are held on trust for the benefit of the participants of the RSU Scheme (the “**RSU Participants**”) pursuant to the rules of the RSU Scheme and the trust deed entered into between the Company and the RSU Trustee. Such shares will be used as awards for relevant RSU participants upon the grant and vesting of restricted share units (“**RSUs**”). As at 30 June 2022, RSUs in respect of an aggregate of 2,060,569 shares (representing approximately 0.19% of the total issued share capital of the Company as at the date of this announcement) granted by the Company under the RSU Scheme remained outstanding.

Further details of the Pre-IPO Share Incentive Plan and the RSU Scheme, together with, among others, the details of the options granted under the Pre-IPO Share Incentive Plan and the RSUs granted under the RSU Scheme, will be set out in the section headed “Other Information” in the Company’s 2022 interim report to be issued in due course.

FINANCIAL RESULTS

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

FINANCIAL INFORMATION

The condensed consolidated results of the Group for the six months ended 30 June 2022 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	For the six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	2,156,438	3,046,890
Other income	5	43,219	59,258
Raw materials and consumables used		(811,476)	(1,134,828)
Staff costs		(754,099)	(926,685)
Property rentals and related expenses		(133,700)	(140,772)
Utilities expenses		(75,292)	(94,897)
Depreciation and amortization		(473,482)	(530,986)
Other expenses	6	(172,200)	(206,974)
Other gains and losses	7	(37,981)	(75,477)
Finance costs	8	(44,388)	(49,397)
Loss before tax	9	(302,961)	(53,868)
Income tax credit	10	24,810	6,936
Loss for the period		(278,151)	(46,932)
Total comprehensive expense for the period		(278,151)	(46,932)
Loss for the period attributable to:			
Owners of the Company		(279,535)	(49,921)
Non-controlling interest		1,384	2,989
		(278,151)	(46,932)
Total comprehensive expense attributable to:			
Owners of the Company		(279,535)	(49,921)
Non-controlling interest		1,384	2,989
		(278,151)	(46,932)
Loss per share			
– Basic (RMB cents per share)	12	(26.12)	(4.64)
– Diluted (RMB cents per share)	12	(26.12)	(4.64)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

		As at 30 June 2022	As at 31 December 2021
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	13	960,751	1,052,577
Right-of-use assets	13	1,423,921	1,638,334
Intangible assets		2,271	2,403
Deferred tax assets		73,232	43,020
Rental deposits		173,172	169,582
Interest in a joint venture		49,000	49,000
		2,682,347	2,954,916
Current assets			
Inventories	14	479,992	598,962
Trade and other receivables and prepayments	15	354,818	394,790
Financial assets at fair value through profit or loss ("FVTPL")	16	550,123	15,832
Restricted bank balances		62,468	66,268
Bank balances and cash		240,406	920,533
		1,687,807	1,996,385
Current liabilities			
Trade payables	18	207,296	250,694
Accrual and other payables		612,682	603,868
Lease liabilities	19	453,147	509,492
Income tax payables		36,587	10,111
Contract liability	20	336,142	316,640
Deferred income		1,276	1,277
Borrowings	21	30,000	75,804
		1,677,130	1,767,886
Net current assets		10,677	228,499
Total assets less current liabilities		2,693,024	3,183,415
Non-current liabilities			
Deferred income		24,395	25,033
Lease liabilities	19	954,079	1,089,793
Deferred tax liabilities		2,893	3,958
Provisions		54,675	53,329
		1,036,042	1,172,113
Net assets		1,656,982	2,011,302
Capital and reserves			
Share capital		176	176
Share premium and reserves		1,613,708	1,969,412
Equity attributable to owners of the Company		1,613,884	1,969,588
Non-controlling interest		43,098	41,714
Total equity		1,656,982	2,011,302

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share Capital	Share premium	Equity- settled share- based payments reserve	Statutory surplus reserve	Treasury share reserve	Retained earnings	Subtotal	Non- controlling interest	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January 2022 (Audited)	176	418,614	18,734	47,166	(63,720)	1,548,618	1,969,588	41,714	2,011,302
(Loss) profit for the period	-	-	-	-	-	(279,535)	(279,535)	1,384	(278,151)
Total comprehensive (expense) income for the period	-	-	-	-	-	(279,535)	(279,535)	1,384	(278,151)
Recognition of equity-settled share-based payments	-	-	2,652	-	-	-	2,652	-	2,652
Exercise of issued share option	-	1,044	(323)	-	-	-	721	-	721
Exercise of Restricted Share Unit ("RSU") Scheme	-	4,597	(10,626)	-	6,029	-	-	-	-
Payments of dividends (Note 11)	-	(30,000)	-	-	-	-	(30,000)	-	(30,000)
Purchase of treasury share under RSU Scheme (Note 22)	-	-	-	-	(49,542)	-	(49,542)	-	(49,542)
Balance at 30 June 2022 (Unaudited)	176	394,255	10,437	47,166	(107,233)	1,269,083	1,613,884	43,098	1,656,982
Balance at 1 January 2021 (Audited)	175	472,271	25,561	44,670	(68,123)	1,844,326	2,318,880	21,288	2,340,168
(Loss) profit for the period	-	-	-	-	-	(49,921)	(49,921)	2,989	(46,932)
Total comprehensive (expense) income for the period	-	-	-	-	-	(49,921)	(49,921)	2,989	(46,932)
Recognition of equity-settled share-based payments	-	-	5,356	-	-	-	5,356	-	5,356
Exercise of issued share option	1	6,799	(2,052)	-	-	-	4,748	-	4,748
Exercise of Restricted Share Unit ("RSU") Scheme	-	(2,170)	(13,021)	-	15,191	-	-	-	-
Payments of dividends (Note 11)	-	(30,000)	-	-	-	-	(30,000)	-	(30,000)
Purchase of treasury share under RSU Scheme (Note 22)	-	-	-	-	(10,788)	-	(10,788)	-	(10,788)
Capital injection from non-controlling interest	-	-	-	-	-	-	-	10,347	10,347
Balance at 30 June 2021 (Unaudited)	176	446,900	15,844	44,670	(63,720)	1,794,405	2,238,275	34,624	2,272,899

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	For six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	384,170	616,449
Cash flows from investing activities		
Purchase of financial assets at FVTPL	(906,082)	(1,439,331)
Proceeds from disposal of financial assets at FVTPL	380,980	716,854
Purchases of property, plant and equipment	(140,712)	(216,823)
Acquisition of investment in a joint venture	–	(10,000)
Payments for right-of-use assets	(3,217)	(2,304)
Utilization of provisions	(1,191)	(410)
Payments for rental deposits	(3,460)	(12,261)
Proceeds from disposal of property, plant and equipment	4,109	180
Purchase of intangible assets	(569)	(277)
Placement of restricted bank balances	(52,583)	–
Withdrawal of restricted bank balances	56,383	35,502
Net cash used in investing activities	(666,342)	(928,870)
Cash flow from financing activities		
Dividend paid	(30,000)	(30,000)
Repayments of borrowings	(75,804)	–
Repayments of leases liabilities	(287,721)	(307,919)
Cash received from exercise of share option	721	4,748
Amounts prepaid to the RSU trustee for purchase of ordinary shares (<i>Note 22</i>)	(34,773)	(12,568)
Capital injection from non-controlling interest	–	10,347
New bank loans raised	30,000	30,000
Interest paid	(1,923)	(91)
Repayment from other financing activities	–	(13,478)
Net cash used in financing activities	(399,500)	(318,961)
Net decrease in cash and cash equivalents	(681,672)	(631,382)
Cash and cash equivalents at the beginning of the period	920,533	1,097,324
Effect of foreign exchange rate changes, net	1,545	(2,271)
Cash and cash equivalents at the end of the period represented by bank balances and cash	240,406	463,671

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 14 May 2008. The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman Islands KY1-1111. The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in Chinese hotpot restaurant operations in the People’s Republic of China (“**PRC**”).

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

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

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

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence after taking into account of the future 12 months cash flow forecast. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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

3. REVENUE

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

	For the six months ended 30 June 2022			
	<u>Xiabuxiabu</u>	<u>Coucou</u>	<u>Others</u>	<u>Total</u>
	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>	<u><i>RMB'000</i></u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Type of goods or service				
Restaurant operations	1,052,988	1,022,734	–	2,075,722
Sales of condiment products	–	–	48,637	48,637
Sales of other goods	10,470	1,545	20,064	32,079
	<u>1,063,458</u>	<u>1,024,279</u>	<u>68,701</u>	<u>2,156,438</u>
Total	<u>1,063,458</u>	<u>1,024,279</u>	<u>68,701</u>	<u>2,156,438</u>
Geographical markets				
Mainland China	1,063,458	944,243	68,701	2,076,402
Hong Kong	–	61,134	–	61,134
Singapore	–	18,902	–	18,902
	<u>1,063,458</u>	<u>1,024,279</u>	<u>68,701</u>	<u>2,156,438</u>
Total	<u>1,063,458</u>	<u>1,024,279</u>	<u>68,701</u>	<u>2,156,438</u>

3. REVENUE (Continued)

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

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 periods. Accordingly, they were grouped in “Others”.

4. OPERATING SEGMENTS (Continued)

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

Six months ended 30 June 2022

	Xiabuxiabu	Coucou	Total reportable segments	Others	Adjustments and eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE						
External sales	1,063,458	1,024,279	2,087,737	68,701	-	2,156,438
Inter-segment sales	-	-	-	115,824	(115,824)	-
	<u>1,063,458</u>	<u>1,024,279</u>	<u>2,087,737</u>	<u>184,525</u>	<u>(115,824)</u>	<u>2,156,438</u>
Segment results (Note)	<u>(120,278)</u>	<u>(73,733)</u>	<u>(194,011)</u>	<u>(24,424)</u>	-	<u>(218,435)</u>
Impairment loss on property, plant and equipment	(18,103)	(10,251)	(28,354)	-	-	(28,354)
Impairment loss on right-of-use assets	(6,739)	(13,957)	(20,696)	-	-	(20,696)
Impairment loss on other receivables	(626)	-	(626)	-	-	(626)
Impairment loss on rental deposit	(367)	-	(367)	-	-	(367)
Gain from changes in fair value of financial assets at FVTPL	13,019	5	13,024	424	-	13,448
Loss on disposal of property, plant and equipment, net	(555)	(88)	(643)	-	-	(643)
Interest on bank borrowings	(697)	-	(697)	(1,226)	-	(1,923)
Segment loss	<u>(134,346)</u>	<u>(98,024)</u>	<u>(232,370)</u>	<u>(25,226)</u>	-	<u>(257,596)</u>
Unallocated loss from changes in fair value of financial assets at FVTPL						(4,259)
Unallocated central administration costs						(37,365)
Unallocated directors' emoluments						(3,741)
Loss before tax						<u>(302,961)</u>

Other segment information

Amounts included in the measure of segment results:

	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated costs	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortization	(262,243)	(199,340)	(461,583)	(10,820)	(1,079)	(473,482)
Gain on termination of lease	6,594	-	6,594	-	-	6,594
Gain on reassessment of lease liabilities	6,240	-	6,240	-	-	6,240
Loss on closure of restaurants	(969)	-	(969)	-	-	(969)
Finance costs (excluding interest on bank borrowings)	<u>(23,700)</u>	<u>(18,751)</u>	<u>(42,451)</u>	<u>(14)</u>	-	<u>(42,465)</u>

4. OPERATING SEGMENTS (Continued)

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

Six months ended 30 June 2021

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

Other segment information

Amounts included in the measure of segment results:

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

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

4. OPERATING SEGMENTS *(Continued)*

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

	<u>30/06/2022</u>	<u>31/12/2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Continuing operations		
Xiabuxiabu	2,261,922	2,516,105
Coucou	1,584,474	1,823,464
Total reportable segment assets	<u>3,846,396</u>	<u>4,339,569</u>
	<u>30/06/2022</u>	<u>31/12/2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Continuing operations		
Xiabuxiabu	1,502,580	1,709,625
Coucou	1,083,146	1,114,809
Total reportable segment liabilities	<u>2,585,726</u>	<u>2,824,434</u>

5. OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	2,308	1,246
– rental deposits	3,607	4,014
	<u>5,915</u>	<u>5,260</u>
Promotion service income	–	1,357
Covid-19 related value-added tax exemption (<i>Note i</i>)	–	22,086
Government grant		
– subsidy received (<i>Note ii</i>)	19,431	11,352
– released from deferred income	639	963
	<u>20,070</u>	<u>12,315</u>
Delivery income for takeout orders	7,763	8,085
Others	9,471	10,155
	<u>17,234</u>	<u>18,240</u>
	<u><u>43,219</u></u>	<u><u>59,258</u></u>

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

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

6. OTHER EXPENSES

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Delivery service fee	39,968	44,396
Marketing expenses	27,260	34,276
Professional service fee	31,491	31,423
Logistics expenses	22,241	26,204
Travel and communication expenses	17,470	19,791
Office and administrative expenses	13,053	19,641
Maintenance fees	8,408	11,926
Others	12,309	19,317
	172,200	206,974

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment, net	(643)	(421)
Gain on termination of lease	6,594	17,833
Gain on reassessment of lease liabilities (<i>Note</i>)	6,240	33,520
Foreign exchange loss, net	(6,252)	(4,228)
Loss on closure of restaurants	(969)	(150)
Impairment loss on other receivables	(626)	–
Impairment loss on rental deposit	(367)	–
Impairment loss on property, plant and equipment	(28,354)	(87,566)
Impairment loss on right-of-use assets	(20,696)	(31,226)
Gains (loss) from changes in fair value of financial assets at FVTPL	9,189	(3,237)
Others	(2,097)	(2)
	(37,981)	(75,477)

Note: 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 recognized the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, as the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognized the remaining amount of the remeasurement in profit or loss amounted to RMB6,240,000 during the current interim period (six months ended 30 June 2021: RMB33,520,000).

8. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	41,150	47,815
Interest on bank borrowings	1,923	762
Interest on provisions	1,315	820
	44,388	49,397

9. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	272,704	302,248
Depreciation of property, plant and equipment	200,077	227,704
Amortization of intangible assets	701	1,034
Total depreciation and amortization	473,482	530,986
Operating lease rentals in respect of restaurants lease payments		
– variable lease payment (<i>Note</i>)	31,460	39,000
– Covid-19-related rent concessions (<i>Note 13</i>)	(5,060)	(3,752)
– short-term lease	19,005	21,737
– other rental expenses	88,295	83,787
Total property rentals and related expenses	133,700	140,772
Directors' emoluments	3,741	3,983
Other staff cost	750,358	922,702
Total staff cost	754,099	926,685

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

10. INCOME TAX CREDIT

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Enterprise income tax (“EIT”)		
Current tax	6,467	26,111
Deferred tax	<u>(31,277)</u>	<u>(33,047)</u>
Total income tax recognized in profit or loss	<u><u>(24,810)</u></u>	<u><u>(6,936)</u></u>

Under the EIT Law, withholding tax is imposed on dividends declared and paid to non-PRC resident in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,535 million as at 30 June 2022 (As at 31 December 2021: RMB1,772 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.

With respect to the trademark license agreements entered into between Hong Kong subsidiaries and PRC subsidiaries, PRC subsidiaries have recognized royalty expenses with reference to the predetermined percentages over the revenue earned. For such royalty expenses which have not been paid by PRC subsidiaries, the deferred tax assets have been recognized for these tax deductible expenses according to the trademark license agreement and the prevailing PRC tax regulations. The directors of the Company (the “**Directors**”), in reviewing the uncertain tax treatment of the Group, continuously consider effect of changes in circumstances and new information in the context of applicable tax laws as well as taking into account the Group’s settlement strategy based on the latest progress of negotiation with the relevant PRC tax authority and has reflected the effect of uncertainty over tax treatments at the best estimate at the end of each reporting period.

11. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Dividends recognized as distributions during the period	<u>30,000</u>	<u>30,000</u>

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

On 28 March 2022, the Company declared a dividend of RMB0.028 per share with total dividends of RMB30,000,000 to shareholders for the year ended 31 December 2021. The dividend was paid in June 2022.

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 30 June 2022 of RMB0.028 per share, amounting to approximately RMB30,000,000 has been declared by the Directors.

12. LOSS PER SHARE

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

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>Loss for the purposes of calculating basic and diluted earnings per share</i>		
Loss for the period attributable to owners of the Company	<u>(279,535)</u>	<u>(49,921)</u>

12. LOSS PER SHARE (Continued)

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

	For the six months ended 30 June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,070,259	1,074,798
Effect of dilutive potential ordinary shares (Note)	N/A	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>1,070,259</u>	<u>1,074,798</u>

Note: The calculation of diluted loss per share for the six months ended 30 June 2022 and 30 June 2021 does not assume the exercise of the Company's share options and restricted shares since their exercise would result in a decrease in loss per share.

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

During the six months ended 30 June 2022, additions to the property, plant and equipment amounted to RMB141,358,000 (six months ended 30 June 2021: RMB143,701,000) consisting of leasehold improvement, machinery, motor vehicles, furniture and fixtures and construction in progress.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 1 to 8 years. The Group is required to make fixed term payments and additional variable payments depending on the restaurants' performance during the contract period. On lease commencement, the Group recognized right-of-use assets of RMB95,124,000 (six months ended 30 June 2021: RMB82,813,000) and lease liability of RMB88,012,000 (six months ended 30 June 2021: RMB75,747,000).

During the current interim period, lessors of the relevant restaurants provided rent concessions that occurred as a direct consequence of the Covid-19 pandemic to the Group through rent reductions ranging from 8% to 100% over one to four months.

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

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB5,060,000 (six months ended 30 June 2021: RMB3,752,000) were recognized as negative variable lease payments.

Impairment assessment

As at 30 June 2022, in view of the unfavourable future prospects of some restaurants, the management of the Group concluded there was impairment indicator for related leasehold improvement and right-of-use assets, with carrying amounts of RMB696,027,000 and RMB1,423,921,000 respectively (31 December 2021: RMB792,930,000 and RMB1,638,334,000), and conducted impairment assessment on the recoverable amounts. The Group estimates the recoverable amount of the restaurants to which the leasehold improvement and right-of-use assets belong as it is not possible to estimate the recoverable amount of the assets individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of each restaurant concerned has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the remaining lease term with a pre-tax discount rate ranging from 11.92% to 12.71% as at 30 June 2022 (30 June 2021: 11.60%) reflecting the specific risks relating to the relevant restaurants operated in different regions. The other key assumption for the value in use calculated is revenue annual growth rate which is determined based on historical performance and relevant operation plans.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of certain restaurants are lower than the carrying amount. The impairment loss has been recognized and allocated to relevant property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation, an impairment of RMB28,354,000 and RMB20,696,000 (six months ended 30 June 2021: RMB87,566,000 and RMB31,226,000), respectively, has been recognized against the carrying amount of property, plant and equipment and right-of-use assets.

14. INVENTORIES

	As at 30 June 2022 <u>RMB'000</u> (Unaudited)	As at 31 December 2021 <u>RMB'000</u> (Audited)
Food and beverage	399,688	532,595
Other materials	54,641	45,553
Consumables	25,663	20,814
	<u>479,992</u>	<u>598,962</u>

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2022 <u>RMB'000</u> (Unaudited)	As at 31 December 2021 <u>RMB'000</u> (Audited)
Trade receivables	29,580	41,748
Prepaid operating expenses	25,295	32,181
Prepayments to suppliers	4,526	2,565
Amounts prepaid to the RSU Trustee for purchase of ordinary shares (Note 22)	728	15,497
Input value-added tax recoverable	277,189	282,587
Other receivables	52,669	54,755
	<u>389,987</u>	<u>429,333</u>
<i>Less: Allowance for credit losses (Note)</i>	<u>(35,169)</u>	<u>(34,543)</u>
Total trade and other receivables and prepayments	<u>354,818</u>	<u>394,790</u>

Note: During the period ended 30 June 2022, a credit loss allowance for other receivables of RMB626,000 (six months ended 30 June 2021: Nil) has been provided after considering the probability of defaults of the counterparty based on an individual assessment.

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

The Group allows an average credit period of 1-30 days to its trade customers.

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

	As at 30 June 2022 <u>RMB'000</u> (Unaudited)	As at 31 December 2021 <u>RMB'000</u> (Audited)
Within 30 days	21,509	33,083
31 to 90 days	7,786	7,817
91 to 180 days	285	848
	<u>29,580</u>	<u>41,748</u>

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

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset mandatorily measured at FVTPL:

	As at 30 June 2022 <u>RMB'000</u> (Unaudited)	As at 31 December 2021 <u>RMB'000</u> (Audited)
Short-term investment (Note i)	538,550	–
Derivative financial instruments (Note ii)	11,573	15,832
	<u>550,123</u>	<u>15,832</u>
Current	<u>550,123</u>	<u>15,832</u>

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

Note i:

As at 30 June 2022, the Group's financial assets at FVTPL amounting to RMB487,990,000 are the financial products issued by banks and investment fund companies which are short-term investments with no predetermined or guaranteed return and no principal protected. These financial assets are with expected rates of return, depending on the market price of underlying financial instruments, including government bonds, central bank bills, trust and other financial assets.

As at 30 June 2022, the Group's financial assets at FVTPL amounting to RMB50,560,000 are the financial products issued by banks which are short-term investments with predetermined or guaranteed minimum return and are principal protected. These financial assets are with expected rates of return, depending on the forward exchange rates and interest rates.

Note ii:

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

In the opinion of the Directors, the Company's right and obligation in the Trust constitute a derivative which is based on the stock price of the Company. As at 30 June 2022, the fair value of the derivative was RMB11,573,000 (As at 31 December 2021: RMB15,832,000), which was recorded as a financial asset measured at FVTPL which represented the fair value changes of the derivative.

Further details of the fair value measurements are disclosed in Note 25. The fair value change is recognized in the line items of other gains and losses.

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

The Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed consolidated statement of financial position as of 30 June 2022 (including trade receivables, other receivables, rental deposits, restricted bank balances and bank balances).

The management of the Group considers bank balances and restricted bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets.

In addition, trade receivables in connection with bills settled through payment platforms such as Unionpay, Alipay or WeChat Pay are also with high credit rating and no past due history. The management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers as at 30 June 2022 and 31 December 2021, and accordingly, no loss allowance was recognized as at 30 June 2022 and 31 December 2021.

In determining the ECL for rental deposits and other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. Except for the rental deposits and receivable that were identified as credit impaired as described in Note 15, the management believes that there has been no significant increase in credit risk of the rest of rental deposits and other receivables since initial recognition and the credit impairment was assessed based on 12m ECL. The management concluded that the ECL for those receivables and deposits are insignificant for the six months ended 30 June 2022.

There has been no change in the estimation techniques or significant assumptions made throughout the six months ended 30 June 2022 as those used in the Group’s annual financial statements for the year ended 31 December 2021.

18. TRADE PAYABLES

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

	As at 30 June 2022	As at 31 December 2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Audited)
Within 60 days	195,018	246,217
61 to 180 days	7,192	2,619
181 to 1 year	1,392	1,038
Over 1 year	3,694	820
	<u>207,296</u>	<u>250,694</u>

19. LEASE LIABILITIES

	As at 30 June 2022	As at 31 December 2021
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Lease liabilities payable:		
Within one year	453,147	509,492
Within a period of more than one year but not exceeding two years	341,018	430,060
Within a period of more than two year but not exceeding five years	563,391	581,426
Within a period of more than five years	49,670	78,307
	<u>1,407,226</u>	<u>1,599,285</u>
<i>Less:</i> Amount due for settlement with 12 months shown under current liabilities	<u>(453,147)</u>	<u>(509,492)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>954,079</u>	<u>1,089,793</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 3.45% to 5.44% (As at 31 December 2021: from 3.60% to 5.64%).

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

	<u>SG Dollars</u>	<u>HK Dollars</u>	<u>US Dollars</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 30 June 2022 (Unaudited)	3,815	71,779	10
As at 31 December 2021 (Audited)	2,699	82,321	65

20. CONTRACT LIABILITY

	As at 30 June 2022	As at 31 December 2021
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Customer loyalty programme (<i>Note i</i>)	12,171	18,048
Prepaid cards and advance from customers (<i>Note ii</i>)	<u>323,971</u>	<u>298,592</u>
	<u>336,142</u>	<u>316,640</u>

Notes:

- i. The contract liability of customer loyalty programme was recognized along with the restaurant services provided during each reporting period. As at 30 June 2022, the balance of RMB12,171,000 (as at 31 December 2021: RMB18,048,000) presents the unredeemed performance obligation relating to the customer loyalty programme.
- ii. The prepaid cards and advance from customers of the Group are refundable. However, no material refund were raised historically and the management of the Group expects the amounts to be refunded in the future reporting periods is insignificant.

21. BORROWINGS

During the current period, the Group has not obtained any new pledged bank loans, while as at 31 December 2021, the bank borrowings with carrying amounts of RMB75,804,252 at fixed market rates of 3.85% are secured by a subsidiary of the Group and are repayable in instalments over a period of one year. The proceeds were used to support the operation of the Group. Such borrowings were fully settled during the current interim period.

During the current interim period, the Group discounted bills receivables with recourse in an aggregate amount of RMB30,000,000 (six months ended 30 June 2021: RMB30,000,000) to banks for short term financing. As at 30 June 2022, the associated borrowings are amounting to RMB30,000,000 (As at 31 December 2021: Nil).

22. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(1) Share Option Schemes

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

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

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

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

	Number of share options
Outstanding as at 1 January 2022	715,970
Forfeited during the period	–
Exercised during the period	(262,572)
Outstanding as at 30 June 2022	453,398

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

By the end of June 2022, the Group recognized the total expenses of nil for the period ended 30 June 2022 (the period ended 30 June 2021: total credit of RMB66,000).

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

(2) Restricted Share Unit Scheme

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

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

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

i. Purchase of treasury share under the RSU Scheme

During the six months ended 30 June 2022, the RSU Trustee acquired 16,883,256 shares with consideration of HK\$59,305,000 equivalent to approximately RMB49,542,000 (for the six months ended 30 June 2021: HK\$13,023,000 equivalent to approximately RMB10,788,000) from the market. The shares were held on trust for the benefit of the RSU participants pursuant to the RSU Scheme and the trust deed. The shares so purchased were used as awards for relevant participants in the RSU Scheme.

As at 30 June 2022, an amount of RMB728,000 (as at 31 December 2021: RMB15,497,000) was held by the RSU Trustee to purchase ordinary shares from the market in the forthcoming period according to the instruction of the Company.

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

(2) Restricted Share Unit Scheme *(Continued)*

ii. Details of granted RSUs

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

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

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

(2) Restricted Share Unit Scheme (Continued)

ii. Details of granted RSUs (Continued)

The following table discloses the movement of the Company's RSUs granted to the selected participants for the period ended 30 June 2022 and outstanding as at 30 June 2022:

	Number of Awarded Shares			
	Outstanding at 1 January 2022	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2022
RSU tranches				
RSUs granted to				
Directors	2,592,042	(938,092)	–	1,653,950
Other staff	1,150,987	(444,872)	(299,496)	406,619
Total	<u>3,743,029</u>	<u>(1,382,964)</u>	<u>(299,496)</u>	<u>2,060,569</u>

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

The Group recognized the total expense of RMB2,652,000 for the period ended 30 June 2022 (six months ended 30 June 2021: RMB5,422,000) in relation to RSUs granted by the Company.

23. COMMITMENTS

	As at 30 June 2022	As at 31 December 2021
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	<u>9,226</u>	<u>15,516</u>

24. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

<u>Relationship</u>	<u>Nature of transactions</u>	For the six months ended 30 June	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Related companies controlled by the controlling shareholder	Purchase of food ingredients	48	152
	Royalty fee	10,515	12,666
	Short-term lease expense	600	600
		10,963	13,418

<u>Relationship</u>	<u>Nature of balances</u>	As at	As at
		30 June	31 December
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Related companies controlled by the controlling shareholder	Trade and other receivables and prepayments	211	49
	Accrual and other payables	1,226	1,957
		1,437	2,006

The balances with related parties are unsecured and interest-free.

(b) Remuneration of key management personnel of the Group

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short term employee benefits	1,587	1,233
Post-employment benefit	–	23
Equity-based share-based payments	–	(2,180)
	1,587	(924)

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	(RMB'000)					
	30	31				
	June	December				
	2022	2021				
Financial assets at FVTPL	487,990		– Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa
Financial assets at FVTPL	50,560		– Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates (from observable yield curves in holding period).	N/A	N/A
Financial assets at FVTPL	11,573	15,832	Level 2	Discounted cash flow. Future cash flows are estimated based on the quoted bid prices of relevant listed shares held by the Trust in an active market and the total cash out that arising from the Trust.	N/A	N/A

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

A 5% decrease in the estimated return rates holding all other variables constant would decrease the carrying amount of the short-term investments by RMB405,000 (31 December 2021: Nil).

A 5% increase in the estimated return rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB405,000 (31 December 2021: Nil).

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

Reconciliation of Level 3 fair value measurement of financial assets

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

	<i>RMB'000</i>
At 1 January 2021 (audited)	—
Purchase of financial assets at FVTPL	1,170,500
Redemption of financial assets at FVTPL	(555,915)
Net gains on financial assets at FVTPL	10,970
At 30 June 2021 (unaudited)	<u>625,555</u>
At 1 January 2022 (audited)	—
Purchase of financial assets at FVTPL	684,900
Redemption of financial assets at FVTPL	(206,903)
Net gains on financial assets at FVTPL	9,993
At 30 June 2022 (unaudited)	<u>487,990</u>

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

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

OTHER INFORMATION

INTERIM DIVIDEND

Based on the current liquidity position of the Company and Directors' current outlook for the Company's financial performance in the second half of the year and overall financial position, the Group plans to pay an interim dividend of RMB0.028 per share, amounting to approximately a total of RMB30.0 million for the six months ended 30 June 2022 (the **"2022 Interim Dividend"**). The planned dividend payout ratio will be subject to the full year financial performance and business plan of the Company and market outlook early next year, therefore a final dividend for the full year of 2022 may or may not be paid. The 2022 Interim Dividend is declared in Renminbi and will be paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hong Kong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 11 October 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 October 2022 to 11 October 2022 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2022 Interim Dividend, all transfers 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 6 October 2022. The 2022 Interim Dividend will be paid on or about 20 October 2022 to those shareholders whose names appear on the register of members of the Company on 11 October 2022.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2022 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2022, the Company has complied with the applicable code provisions of Part 2 of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules, except for a deviation from code provision C.2.1 of the Code which states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2022.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company relevant employees was noted by the Company during the six months ended 30 June 2022.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Save as disclosed in the paragraph headed “Employee and remuneration policies” in this announcement in relation to the purchase of shares by the RSU Trustee, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2022.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the Interim Results together with the Company's independent auditors, Deloitte Touche Tohmatsu for the six months ended 30 June 2022.

CHANGES IN INFORMATION OF DIRECTORS UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the 2021 annual report of the Company are set out below:

On 1 April 2022, Ms. Hsieh Lily Hui-yun has retired and Mr. Kot Man Tat has been appointed as an independent non-executive Director. The biographical details of Mr. Kot was set out in the announcement of the Company dated 28 March 2022.

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

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

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.xiabu.com). The interim report of the Company for the six months ended 30 June 2022 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 29 August 2022

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