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Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
	(audited)	(audited)
Revenue	**4,724,834**	6,147,262
Segment results(1)	**(219,157)**	144,155
Loss before tax	**(350,935)**	(213,653)
Total loss for the year	**(331,188)**	(283,133)
Total loss for the year attributable to owners of the Company	**(353,052)**	(293,212)

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

PROPOSED FINAL DIVIDEND

Final dividend of RMB0.028 per share, amounting to approximately a total of RMB30 million for the year ended 31 December 2022, is proposed.

The board of directors (the "**Board**") of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022.

BUSINESS REVIEW AND OUTLOOK

Overview

In 2022, the Group opened 41 Xiabuxiabu restaurants, 44 Coucou restaurants and 1 Shaohot restaurant. The Group also closed down 81 Xiabuxiabu restaurants and 3 Coucou restaurants. These restaurants were closed down as they were primarily loss making, many operated in locations that were mismatching to the "value for money" model which Xiabuxiabu stood for and models that were not able to portrait the brand correctly. The Group believes that with this change, the Company will be able to return to the right track going forward.

As at 31 December 2022, the Group owned and operated 801 Xiabuxiabu restaurants in 123 cities of 25 provinces and autonomous regions and in three centrally administered municipalities in China, namely Beijing, Tianjin and Shanghai.

The Group also owned and operated 224 Coucou restaurants in 50 cities of 26 provinces, in three centrally administered municipalities in China, namely Beijing, Tianjin and Shanghai and in Hong Kong Special Administration Region ("**Hong Kong**") and Singapore.

The Group's revenue decreased by 23.1% from RMB6,147.3 million in 2021 to RMB4,724.8 million in 2022. Following the development of the Covid-19 pandemic (the "**Pandemic**"), the residents and consumers reduced consumption in public areas in compliance with the control measures during different times throughout 2022, which greatly affected the Group's business. In order to comply with the governmental measures and to ensure the safety of its staff and customers, the Group gradually suspended the operation of a number of its restaurants.

INDUSTRY REVIEW

In 2022, the Pandemic condition worsened and in the second quarter came the toughest time in Shanghai, the growth of China's domestic economy suffered severely. China's GDP growth in the second quarter was merely 0.4%. From March to October, many restaurant operations were hit hard as many cities were impacted by the Pandemic outbreak. When the Pandemic ended at the end of 2022, where home quarantine was no longer implemented, it delivered positive signs for the catering industry. As the policy has changed, it is believed that the catering industry would expect a fruitful year ahead in 2023. During the Pandemic, many operators have chosen to streamline their operations due to the loss of customer traffic and operational days. A shift from physical operations to fast online business model started to take place. The demand for delivery to your doorstep and ready-to-cook dishes has created a new form of consumption habit during the post-Pandemic era. As the spending habits changes, the Company will continue to explore the possibilities of these business models.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The Group's restaurant network

In 2022, the Group opened a total of 86 new restaurants, including 41 Xiabuxiabu restaurants, 44 Coucou restaurants and 1 Shaohot restaurant. In addition, the Group closed a total of 84 restaurants, including 81 Xiabuxiabu restaurants and 3 Coucou restaurants in 2022 as some of the restaurants were in locations that were not able to present the Xiabuxiabu "value for money" brand image and also due to various commercial reasons, including the impact of the Pandemic. In aggregate, the Group's total number of restaurants in operation was 1,026 in 2022.

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

	As at 31 December			
	2022		2021	
	#	%	#	%
Tier 1 cities(1)	**301**	**37.6**	324	38.5
Tier 2 cities(2)	**292**	**36.4**	302	35.9
Tier 3 cities and below(3)	**208**	**26.0**	215	25.6
Total	**801**	**100.0**	841	100.0

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

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

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

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

	As at 31 December			
	2022		2021	
	#	%	#	%
Tier 1 cities(1)	**81**	**36.2**	72	39.3
Tier 2 cities(2)	**126**	**56.2**	99	54.1
Tier 3 cities(3)	**6**	**2.7**	4	2.2
Outside mainland China(4)	**11**	**4.9**	8	4.4
Total	**224**	**100.0**	183	100.0

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

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

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

(4) Hong Kong and Singapore.

Key operational information for the Group's restaurants

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

	For the year ended 31 December	
	2022	2021
Net revenue (in RMB thousands)		
Tier 1 cities(1)	**1,085,489**	1,649,622
Tier 2 cities(2)	**723,009**	1,183,808
Tier 3 cities and below(3)	**445,279**	669,177
Total	**2,253,777**	3,502,607
Average spending per customer (RMB)(4)		
Tier 1 cities(1)	**67.9**	65.6
Tier 2 cities(2)	**60.4**	60.0
Tier 3 cities and below(3)	**61.2**	60.1
	63.9	62.5
Seat turnover rate (x)(5)		
Tier 1 cities(1)	**2.4**	2.7
Tier 2 cities(2)	**1.9**	2.2
Tier 3 cities and below(3)	**1.6**	1.9
	2.0	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, Wuxi, Xuzhou and Yantai.

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

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

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

In 2022, revenue contribution from Xiabuxiabu restaurants continued to be the main source of revenue of the Group, and contributed 95.1% as a percentage of the Group's total revenue. Seat turnover decreased as compared to that of 2021 primarily due to the severely impacted customers' dine-in services as a result of better social distancing and restaurant suspension measures implemented by the government to control the Pandemic. Therefore, customers were able to gradually dine out at restaurants. In the meantime, the Group fully utilized delivery channel to deliver fresh ingredients, cooked food and etc. to generate sales and utilize new social media and e-commerce platforms to create an online platform to recover some of the business to minimize the loss from the disruption of operations in some of its operations.

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

	For the year ended 31 December	
	2022	**2021**
Number of same-store*		
Tier 1 cities	288	
Tier 2 cities	282	
Tier 3 cities and below	190	
Total	**760**	
Same-store sales (in RMB million)		
Tier 1 cities	897.5	1,157.1
Tier 2 cities	486.7	639.8
Tier 3 cities and below	318.0	414.5
Total	**1,702.2**	**2,211.4**
Same-store sales growth (%)		
Tier 1 cities	(22.4)	
Tier 2 cities	(23.9)	
Tier 3 cities and below	(23.3)	
	(23.0)	

* Including restaurants that commenced operations prior to the beginning of the years 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 by region for the years indicated:

	For the year ended 31 December	
	2022	2021
Net Revenue (in RMB thousands)		
Tier 1 cities(1)	**885,622**	1,077,901
Tier 2 cities(2)	**1,100,036**	1,136,541
Tier 3 cities(3)	**45,722**	20,992
Outside mainland China(4)	**228,079**	123,885
Total	**2,259,459**	2,359,319
Average spending per customer (RMB)(5)		
Tier 1 cities(1)	**151.1**	145.6
Tier 2 cities(2)	**137.0**	129.7
Tier 3 cities(3)	**134.3**	129.6
Outside mainland China(4)	**305.1**	276.7
	150.9	140.6
Table turnover rate (x)(6)		
Tier 1 cities(1)	**2.1**	2.8
Tier 2 cities(2)	**1.8**	2.4
Tier 3 cities(3)	**1.9**	2.4
Outside mainland China(4)	**2.2**	2.8
	1.9	2.5

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

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

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

(4) Hong Kong and Singapore.

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

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

In 2022, due to the lingering effects of the Pandemic, the number of physical turnover at the restaurant level was greatly affected, with the table turnover rate of Coucou restaurants decreasing from 2.5x in 2021 to 1.9x in 2022. Average spending per customer in 2022 was RMB150.9 compared to RMB140.6 for 2021, representing an increase of 7.3% as compared with that in 2021, which was mainly attributable to more group purchase business generated during the Pandemic.

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

	For the year ended 31 December	
	2022	**2021**
Number of same-store*		
Tier 1 cities	69	
Tier 2 cities	93	
Tier 3 cities	3	
Outside mainland China	7	
Total	**172**	
Same-store sales (in RMB million)		
Tier 1 cities	653.9	869.4
Tier 2 cities	773.6	997.1
Tier 3 cities	10.5	18.5
Outside mainland China	123.3	116.9
Total	**1,561.3**	**2,001.9**
Same-store sales growth (%)		
Tier 1 cities	(24.8)	
Tier 2 cities	(22.4)	
Tier 3 cities	(43.2)	
Outside mainland China	5.5	
	(22.0)	

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

Outlook for 2023

Business Outlook

In 2022, the world gradually got rid of the impacts from the outbreak of the Omicron. In December 2022, the PRC announced the Omicron infections to be subject to measures against "Class B Infectious Disease". The Group's business recovered significantly with the uplifting of the control measures. The Group believed that the consumption-boosting policy implemented by the Central government will help to further promote the development of the catering business. In the latest National People's Congress, the government has announced the following economic targets for 2023: 1) GDP growth of around 5%; 2) consumer price to increase by around 3%; 3) grain output to remain at above 1.3 trillion jin; and 4) job openings of 12 million in urban areas. The Group firmly believes that some of these targets will be followed by policies implementation and will benefit various industries. The Group's main strategy will be to continue to emphasize the quality and safety of food ingredients, improvise the dining experience, promote the branding to synchronize with customers. The future trend of catering industry will be dominated by a few big chains of the industry and industry consolidation. These big chains will continue to innovate and will shape the development of the catering industry. The Group believes that the diversified platforms of the Company with Xiabuxiabu, Coucou and Shaohot restaurants, together with online delivery service and condiment products will form a strong synergy effect and help the Group's overall business to bloom vigorously.

Going into 2023, the Group will continue to implement the following strategies:

Expansion strategy

Since 2022, faced with the changing market demands, the Group adjusted the expansion plan of Xiabu brand in a timely manner and applied big data technology and optimised the incentive policy to motivate its development team. Despite the impact of the Pandemic and the weakness of consumer power, the Group still managed to open 41 new restaurants, all of which delivered outstanding performance at the preliminary operation stage whose seat turnover rate was more than 3x over the industry performance level. In 2023, the Group will continue to implement the same expansion strategy and focus more on rental negotiations and use big data to help evaluate the new locations to enhance the efficiencies of new restaurants. At the same time, the Group plans to continue to increase the sales per unit area to shorten the investment payback period of these restaurants. Empowering with the refined management through the application of digital tools, Xiabuxiabu has established its core competitiveness by re-embracing the operation motto of offering value-for-money hotpot featured with one-person one-pot set meal, especially reshaping the brand image of value mini hotpot set meal in the Southern part of China. Prior to 2022, Xiabuxiabu restaurants are primarily located in the Northern part of China, resulting in an unbalanced operational layout. In 2023, the Group will focus on opening new restaurants in the southern market such as the Eastern and Southern parts of China. In particular, Xiabu brand plans to open not less than 100 restaurants in 2023, with not less than 50% of the total new openings mainly located in Shanghai, Guangdong, Shenzhen and other first-tier cities in the Southern part of China. Benefitting from our forward-looking strategic business layout, the Group took full advantage of the commercial real estate resources to accommodate the Group's development plan, achieving synergetic effects and creating a win-win situation.

Since 2022, Coucou started to implement "expansion into the East and entering the South" strategy. In the next three years, Eastern and Southern China will be the core expansion areas for the Group's future expansion, including the output of the operating personnel to support the aggressive development in these regions. Coucou which has built a brand on the foundations from the tier 1 cities, will continue to ride on this strategy to enhance its branding power to penetrate into not only tier 1 but tier 2 and gradually tier 3 cities as well. In 2022, Coucou opened 16 restaurants in Eastern China and Shanghai as well as 18 restaurants in Southern China. In 2023, Coucou will continue to implement the "expansion into the East and entering the South" strategy, further enhancing its business presence in Eastern China and Southern China. Meanwhile, Coucou will further explore the markets in Northern China, the Northwestern and Northeastern part of China to extend its business antenna into these markets, and plans to open the first Coucou restaurants in Jilin province and Qinghai province in 2023.

In September 2022, the Group launched a new brand "Shaohot" which focuses on offering delicious roasted meat products. The Group plans to open Shaohot restaurants in Shanghai, Beijing, Shenzhen, Hangzhou and other tier 1 cities in 2023.

Aside from expansion into Hong Kong in 2019, Coucou has showcased its international expansion footprint by opening its first restaurant in Singapore at the beginning of 2022. In 2023, the Group will continue to expand its overseas business presence, and has opened its first overseas Xiabuxiabu restaurant in Singapore in January 2023. Looking ahead, the Group also plans to open Xiabuxiabu restaurants and Coucou restaurants in Hong Kong and Taiwan, and at the same time proactively prepares to enter into the Malaysia market. In order to export tailor-made strategies and products catering to the preference, flavour and consumption behavior of the customers of various overseas markets, the Group has established the International Business Department on 1 January 2023 which will uphold the Group's vision and goal of international expansion and push forward the internationalization strategy of our Xiabuxiabu brand and Coucou brand.

Branding strategy

The Group has redesigned its branding strategy to focus on certain target customer group, focusing on the major group of consumers in the post-Pandemic days. The Group strives to understand their preferences and spending habits in order to deploy appropriate and effective branding, marketing and promotional strategies to attractive these target customers. The rebranding Xiabuxiabu's logo represents a more vibrant, upscale, fashionable and comfortable image to connect the brand with the younger customers so that the customers would associate dining at restaurants as a place where they can enjoy a "value for money" experience at a comfortable and fashionable environment. As time changes, consumers started to value brand image and marketing of restaurants, and the Group sees the need to put more efforts into promotion of the Xiabuxiabu brand. The Group plans to refine its membership system and rapidly develop membership digital marketing by converting customers to new members through various media channels, and enhancing the loyalty of old customers and membership re-subscription through member deposits and members' day. The Group will focus on the "local lifestyle" service of TikTok to establish a marketing matrix combining official livestreaming with celebrity short-video promotion, so as to create our online marketing presence. The Group will continue to reinvigorate the Xiabuxiabu brand to increase customer loyalty and to live up to the motto of "value for money". The Group is confident that this will be a successful campaign to get the new brand image through to its customers.

In 2023, Coucou will continue to strengthen its branding power and target the "new middle class" by promoting the concept of "affordable luxury gatherings", to design menu items and create pricing and promotional strategies targetting the consumption habits and dietary preferences of consumers in different cities to create successful marketing and promotional campaign, in turn building a stronger brand image and reputation to build a stronger bond with its customers. The alignment of the new membership program later this year will help to increase the customer flow between the Group and will be able to drive through traffic and to increase the restaurant's operating profit.

In 2023, Shaohot is committed to improving the customers' comprehensive dining experience at the restaurants covering from ordering to interactive engagement through continuous restaurant optimisation, with an aim to build an excellent brand recognition and create a more sophisticated brand image among the consumers. Focusing on the middle and high-end consumer groups, and upholding the concept of "roasted meat + beverage and tea + joy", Shaohot promotes restaurant dining experience to a wider range of customer groups through various media means including offline business media, Tiktok, Dianping and other localised lifestyle media, aiming to boost customer traffic. In addition, through customer flowing among membership systems of the Group and reference by private fans of new restaurants, Shaohot will build up its fan base and increase brand exposure to a wider range of potential customers, with an aim to broaden future revenue stream of the restaurants.

Product strategy

The Group will continue to take advantage of its strong supply chain network in different regions, add products of different price range, to offer products that can satisfy the various needs of its consumers, especially the younger generation. With a total of over 1,000 Xiabuxiabu and Coucou restaurants, the Group is expected to continue to benefit from the economies of scale and take advantage of its nationwide restaurant network.

In 2023, Xiabuxiabu restaurant will make continuous innovations to upgrade and enrich its product offering while continuing to serve the classic delicacy of Xiabu brand. At the beginning of the year, upholding the core strategy of promotion of "popular dishes（一定紅）", Xiabuxiabu launched a product line series including appetite-appeasing sweet and spicy Korean kimchi hotpot, Xiabu selected fresh-red Sirloin, hand-made cheese shrimp ball as well as sweet and sour cherry jasmine milk tea, with an aim to cater to consumer demand during the Spring Festival with more expansive menu.

In addition, the Group will also launch afternoon tea and nighttime snack services in mid 2023 as a complementary business during the non-peak hours with low table turnover rate. The Group will gradually launch the afternoon tea combo featuring N+1 tea beverage and refreshment, the nighttime snack series featuring leisure braised dishes as well as fried and roasted skewers, and the "Xiabu self-heating hotpot series" under the take-away delivery business for camping and picnic scenarios, offering customers with various consumption scenario options available through various channels at any time. The Group will continue to take advantage of its strong supply chain network in different regions, add products of different price range, and establish a rational product mix so as to satisfy the various needs of its consumers, especially the younger generation.

New soup bases launched by Coucou in September 2022 such as “white clam mactra with other seafood” and “Thai-style tom yum gong” were very well received by the customers once they were put on the market and became another signature product of Coucou following the “limitless duck blood and tofu” dish, which are very popular among customers. New dishes “salted fried chicken” and “popcorn shrimp” launched in April also further enriched the snack offering of Coucou. New tea beverages such as “red robe tea with raw coconut” and “red rod tea with coconut coffee” have become very popular products. On the overseas market front, recognising the difference in the preference of customers at home and abroad, Coucou proactively carried out surveys on the flavour of local customers in Singapore, and launched new dishes “Japanese pork” and “pork assortment” in September which, to a great extent, cater to the flavour and preference of local customers in Singapore. In 2023, Coucou will continue to launch more popular products. Going forward, the Group’s development team will continue to combine different dietary preferences of different regions and local dining culture to develop nutritious signature products that are healthy, aesthetically pleasing and delicious to the customers.

The Group will also take steps to further develop delivery products to ensure better synergy with dine-in business. In the last two years when Pandemic was affecting the restaurants operations, online delivery business has been helping to recover some of the sales loss. In 2022, the sales contribution from delivery business gradually increased to approximately 15% of Xiabuxiabu total revenue. In 2023, the Group will continue to roll out new product range such as “curry seafood” soup base, “ma-la spicy luncheon meat and fresh shrimp” soup base, and also launch seasonal soup base such as “lamb spine favored” soup base throughout different seasons of the year.

New model strategy

In 2023, the Group is keen to provide a fair and reasonable menu back to the market by focusing on attracting the younger generation, it will go further to explore the core competitiveness and value of promoting individual pots by bringing back the “value for money” set back to the customers. After the Pandemic, many started to be more aware of eating healthy and hygienically, the Group believes individual pot is more than dining alone, it is a form of self-expression and a statement self-identity. Customers can enjoy their favorite soup base while sharing the ingredients with others in a safe and hygienic manner, which is highly in line with the current popular culture of respecting people’s individuality.

In order to convey such message, the Group continued to uphold the "value for money" model in its restaurants. This model features an affordable, simple, individualistic model with price range around RMB50-60 which is affordable amongst the young generation, combining with the new restaurant design, new set menu, utensils and table settings, the Group believes that customers will enjoy and appreciate a more well-rounded dining experience. In 2022, Xiabu brand continued to optimise new restaurant model by testing a new restaurant model of smaller operating area with cost-efficient investment in Shanghai and other cities, which achieved the established target of higher sales per unit area and seat turnover rate, laying a replicable practice foundation for a business model of "smaller operating area with higher customer turnover rate". In 2023, the Group will attach greater emphasis to investment efficiency in selecting restaurant model, assess site-selection decision through scientific and refined analysis with the application of intelligent site-selection system, and optimise the financial model of the restaurant with the support of relevant information. Looking forward, while accelerating the replication of smaller-scale restaurant model, Xiabu brand will continue to cooperate with more up-and-coming designers to launch brand-new restaurant style with more avant-garde design. At the same time, the latest Singapore restaurant model will also be introduced into Mainland China for the first time in 2023 to further advance the "expansion into the East and entering the South" strategy of Xiabu Group, with an aim to attract more young stylish customers and further improve the brand position and influence.

The Group understands that good ambience is critical to creating a pleasant dining experience and is in the process of testing different design models. That is the very reason why Coucou is designed to have a more up-scale, elegant style and incorporated with a unique teahouse model differentiating Coucou from other operations. In 2023, based on its existing elegant and up-scale Chinese design style, Coucou will introduce more diverse design concept. Nanjing IFC restaurant which is scheduled to open in April 2023 will first integrate the concept of Nanjing Brocade, intangible cultural heritage of Nanjing, into its design style, while Hangzhou Hubin Yintai restaurant which is expected to complete renovation work in early April 2023 incorporates the Zine element into its design concept, with an aim to offer its customers with more valuable consumption experience by creating a more comfortable dining environment and providing better services. In addition, Coucou is also exploring the profitablility model of Coucou restaurants in the lower-tier markets with the further implementation of its expansion strategy into tier 2 and 3 cities, and will launch the "asset-light model" projects in 2023, which aims to explore more cost-efficient decoration investment option while preserving its existing design style and presentation effect, and is implemented in certain new restaurant in tier 2 and 3 cities, showcasing the profitability of new restaurants in the low-tier markets.

Procurement strategy

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

Talent development strategy

In 2022, the Group made strenuous efforts to retain and cultivate talents, and selected and trained outstanding restaurant management personnel from Tianjin and the Northeastern market to provide stable talent supply for restaurants located in the Southern part of China, providing strong support for the implementation of "expansion into the East and entering the South" strategy of the Group. With a total of 34 new restaurants opened in January 2023 across the country, the Group officially launched its North-South Talent Supply Scheme, under which a great number of operation talents have been assigned to the new restaurants in Eastern and Southern China, with a total of over 50 restaurant managers and operation managers as well as 134 outstanding grass-root staff assigned to these restaurants. The Group will continue to recruit and train 1,000 talents to support the operation of restaurants in the newly-explored provinces and cities.

The Company continued to optimise employee structure, including the implementation of the management trainee programme. In 2023, the Group's management trainee programme will have 800 participants, which will provide stable supply of outstanding talents for our future restaurant operation and business development. With university students returning to schools after the Pandemic ended, the Company will also step up efforts to recruit university students for part-time jobs as they generally receive better education and present a young and energetic image. By increasing the proportion of university students among our part-time staff, it will help to improve our company image and optimise customer experience.

Stable supply of talented restaurant staff is key to support the Group's restaurants operations and continuous expansion. The Group has reviewed its talent strategy and taken an initiation to undertake some changes. The Group continued to implement the new incentive mechanism where the Group undertook a profit sharing policy with the operations team. Different from the past where the teams were primarily evaluated based on the turnover they achieved, now the key performance indicator (KPI) also includes the operational profit that the team delivers as the Group wants the team to take up more leadership into their operations and not just simply chasing turnover. The Group will continue to evaluate the results of this mechanism and continue to look for ways to better improvise its incentive mechanism to reward its team better so they can continue to level up their performance and deliver better operational efficiency.

Digitalization strategy

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

Marketing strategy

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

Retail strategy

Since the outbreak of Pandemic, people have to remain at home and "stay at home" economy has become a new living style nowadays and the need to have semi-finished products to help people staying at home to prepare a meal more conveniently is getting popular. In order to ride on this opportunity, the Group has launched condiment products such as hotpot soup base, dipping sauce and cooking sauce in the past few years which are gradually getting market recognition and brand awareness. In 2023, condiment company will further introduce frozen food products and convenience food products into this category. The Group believes this segment has a strong potential market opportunity through the establishment of its non-wholly owned subsidiary, Xiabuxiabu (China) Food Co., Limited (呷哺呷哺(中國)食品有限公司). The Group is venturing into the condiment product business, which supplements and complements the Group's principal catering service business and will further strengthen the brand of the Group. Sales of condiments business contributed RMB142.6 million in 2022, accounting for around 3.0% of total sales. Going forward, the Group will continue to expand this segment to increase the number of sales channels and develop new products to expand the market share.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Year ended 31 December				Year-on-year change
	2022		2021		
	RMB'000	*%*	*RMB'000*	*%*	*%*
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**4,724,834**	**100.0**	6,147,262	100.0	(23.1)
Other income	**120,551**	**2.6**	103,767	1.7	16.2
Raw materials and consumables used	**(1,798,872)**	**(38.1)**	(2,341,334)	(38.1)	(23.2)
Staff costs	**(1,553,543)**	**(32.9)**	(1,829,717)	(29.8)	(15.1)
Property rentals and related expenses	**(251,793)**	**(5.3)**	(298,069)	(4.8)	(15.5)
Utilities expenses	**(177,465)**	**(3.8)**	(201,567)	(3.3)	(12.0)
Depreciation and amortisation	**(963,551)**	**(20.4)**	(1,052,911)	(17.1)	(8.5)
Other expenses	**(356,004)**	**(7.5)**	(441,814)	(7.2)	(19.4)
Other gains and losses	**(16,498)**	**(0.3)**	(206,708)	(3.4)	(92.0)
Finance costs	**(78,594)**	**(1.7)**	(92,562)	(1.5)	(15.1)
Loss before tax	**(350,935)**	**(7.4)**	(213,653)	(3.5)	64.3
Income tax benefit (expense)	**19,747**	**0.4**	(69,480)	(1.1)	(128.4)
Loss for the year	**(331,188)**	**(7.0)**	(283,133)	(4.6)	17.0
Total comprehensive expense for the year	**(331,188)**	**(7.0)**	(283,133)	(4.6)	17.0
(Loss) profit for the year attributable to:					
Owners of the Company	**(353,052)**	**(7.5)**	(293,212)	(4.8)	20.4
Non-controlling interest	**21,864**	**0.5**	10,079	0.2	116.9
	(331,188)	**(7.0)**	(283,133)	(4.6)	17.0
Total comprehensive (expense) income attributable to:					
Owners of the Company	**(353,052)**	**(7.5)**	(293,212)	(4.8)	20.4
Non-controlling interest	**21,864**	**0.5**	10,079	0.2	116.9
	(331,188)	**(7.0)**	(283,133)	(4.6)	17.0
Loss per share					
– basic (RMB cents per share)	**(33.42)**		(27.28)		
– diluted (RMB cents per share)	**(33.42)**		(27.28)		

Revenue

The Group's revenue decreased by 23.1% from RMB6,147.3 million in 2021 to RMB4,724.8 million in 2022, primarily due to the the impact of the Pandemic which affected the number of operational days of our restaurants, for Xiabuxiabu the affected days was around 178,219 days and 8,574 days for Coucou. The revenue generated from Xiabuxiabu decreased by 35.1% from RMB3,524.7 million in 2021 to RMB2,285.8 million in 2022. Again, as a result of the on-going Pandemic, the revenue contributed by Coucou decreased by 6.3% from RMB2,353.7 million in 2021 to RMB2,205.8 million in 2022. The Company expanded the sales channels for condiment products and launched new products to increase the market shares, and meanwhile the Pandemic control measures caused residents to stay at home and the sales revenue of condiment products increased from RMB126.2 million in 2021 to RMB142.6 million in 2022. The Group opened 41 new Xiabuxiabu restaurants, 44 new Coucou restaurants and one Shaohot restaurant throughout China in 2022 to enhance its restaurant network.

Other income

The Group's other income increased by 16.2% from RMB103.8 million in 2021 to RMB120.6 million in 2022, primarily due to an increase in income from additional deduction item of value-added tax granted by the relevant government authorities in the PRC of RMB45.2 million.

Raw materials and consumables used

The Group's raw materials and consumables costs decreased by 23.2% from RMB2,341.3 million in 2021 to RMB1,798.9 million in 2022 primarily as a result of decrease in customer traffic and in sales at the restaurants. In view the upward pressure on commodity procurement costs due to the Pandemic, the purchasing staff of the Group gives full play to their professional sourcing ability and bargaining power, and takes active measures to control the shelf life of food, thus as a percentage of the Group's revenue, the cost of raw materials and consumables in 2022 was in line with 38.1% in 2021.

Staff costs

The Group's staff costs decreased by 15.1% from RMB1,829.7 million in 2021 to RMB1,553.5 million in 2022, while the number of the Group's employees decreased from 28,536 as at 31 December 2021 to 27,059 in 2022. As a percentage of the Group's revenue, the Group's staff costs increased from 29.8% in 2021 to 32.9% in 2022, primarily due to the decrease in revenue as a result of the Pandemic, resulting in an increase in the proportion of staff costs to the revenue.

Property rentals and related expenses

The Group's property rentals and related expenses decreased by 15.5% from RMB298.1 million in 2021 to RMB251.8 million in 2022, mainly attributable to (i) rental exemption and reduction received as a result of the Group's negotiation with lessor based on its own brand advantages; and (ii) variable lease payments decreased as revenue of restaurants were 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 4.8% in 2021 to 5.3% in 2022 due to decrease in revenue in 2022.

Utilities expenses

The Group's utilities expenses decreased by 12.0% from RMB201.6 million in 2021 to RMB177.5 million in 2022 due to the disrupted operational days of the Group's restaurants as a result of the Pandemic. As a percentage of the Group's revenue, utilities expenses increased from 3.3% in 2021 to 3.8% in 2022.

Depreciation and amortisation

The Group's depreciation and amortisation decreased by 8.5% from RMB1,052.9 million in 2021 to RMB963.6 million in 2022, primarily due to the fact that the number of Xiabuxiabu restaurants dropped from 841 in 2021 to 801 in 2022. As percentage of revenue, depreciation and amortization increased from 17.1% in 2021 to 20.4% in 2022.

Other expenses

The Group's other expenses decreased by 19.4% from RMB441.8 million in 2021 to RMB356.0 million in 2022. As a percentage of the Group's revenue, the Group's other expenses increased from 7.2% in 2021 to 7.5% in 2022. Thanks to the Group's efforts in refined control and management of operational costs, the Group recorded a decrease in professional service fees, marketing expenses and administrative expenses for the year. However, revenue decreased as a result of the Pandemic, resulting in an increase in the proportion of such expenses to the revenue as compared with the previous year.

Other gains and losses

The Group recorded other net losses of RMB16.5 million in 2022, as compared to other net losses of RMB206.7 million in 2021, representing a decrease of RMB190.2 million as compared with the previous year, mainly due to the following reasons: (1) in 2021, due to the management's strategic decision to permanently close 229 under-performing restaurants, the Group incurred significant loss on closure of restaurants amounting to RMB103.7 million, while in 2022 the amount recorded is only RMB1.4 million; (2) impairment loss on assets decreased from RMB150.5 million in 2021 to RMB58.4 million in 2022 (see note 5 to the consolidated financial statements).

Finance costs

The Group recorded finance costs of RMB78.6 million in 2022, mainly derived from interest on lease liabilities of RMB73.5 million.

Loss before tax

As a result of the foregoing, the Group's losses increased from RMB213.7 million in 2021 to a loss of RMB350.9 million in 2022.

Income tax benefit (expense)

The Group's income tax credit in 2022 amounted to RMB19.7 million as compared to income tax expenses of RMB69.5 million in 2021, primarily due to the decrease in the current income tax expense and the deferred tax asset being recognised in relation to unused tax losses and deductible temporary differences for some subsidiaries of the Group during the year.

Loss for the year attributable to owners of the Company

As a result of the cumulative effect of the above factors, the Group's loss for the year attribute to owners of the Company increased from RMB293.2 million in 2021 to a loss of RMB353.1 million in 2022.

Liquidity and capital resources

In 2022, the Group financed its operations primarily through cash from the Group's operations and bank borrowings. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth.

Cash and cash equivalents

As at 31 December 2022, the Group had cash and cash equivalents of RMB300.7 million, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi (as to 85.2%), U.S. dollars (as to 0.4%), Hong Kong dollars (as to 9.4%), Taiwan New dollars (as to 3.8%) and Singapore dollars (as to 1.2%). The balance of cash and cash equivalents as at the end of the year decreased by approximately RMB619.8 million as compared with that of RMB920.5 million as at the end of last year, which was mainly because that (1) cash flow from operating activities for the year decreased by approximately RMB166.9 million as compared with that of the previous year as a result of the Pandemic to RMB881.6 million; (2) a portion of cash was invested in wealth management products at the end of 2022 as the Group selects financial products based on their interest rates instead of only focusing on financial products with the maturity date at the end of the year since 2022, and the balance of financial products as at the end of the year was RMB390.2 million (2021: nil); (3) the Group paid RMB89.5 million for the purchase of its ordinary shares during the year which increased by RMB77.2 million as compared to last year.

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

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

As at 31 December 2022, the Group had financial assets at FVTPL which amounted to RMB390.2 million in aggregate, which mainly represented financial products (the "**Financial Products**") issued by Bank of Inner Mongolia Co., Ltd. and Fubon Bank (China) Co., Ltd. (collectively, the "**Banks**") and Huatai Securities Co., Ltd., Huaan Securities Co.,Ltd., and Dongzheng Ronghui Securities Asset Management Co., Ltd. (collectively, the "**Investment Fund Companies**"). Such products are investments with no predetermined or guaranteed return and are not principal protected, with an expected return rate ranging from 3.8% to 4.8% per annum. In particular, one of the financial product of RMB100.0 million was classified as non-current assets due to its maturity date at 4 January 2024. The sum realized from the Financial Products was recorded as gain from changes in fair value of financial assets designated as financial assets at FVTPL and amounted to approximately RMB16.3 million for 2022.

The Group generally subscribed for the financial products on a revolving basis, which means that the Group would subscribe for additional financial products when the terms of certain financial products previously subscribed for by the Company expired. Subscriptions of financial products were made for treasury management purpose to maximize the return on the unutilized funds of the Group after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Group had in the past selected short-term financial products issued by reputable commercial banks and investment fund companies that had relatively low associated risk. Prior to making an investment, the Group had also ensured that there remains sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such financial products. Although the financial products were marketed as wealth management products which were not principal protected nor with pre-determined or guaranteed return, the underlying investments were in line with the internal risk management, cash management and investment policies of the Group 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 were considered 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 31 December 2022.

The Group purchased additional short-term investment products with an aggregate principal amount of RMB330 million from 1 January 2023 up to the date of this announcement which remained outstanding as at the date of this announcement. None of these subscriptions, individually or collectively when aggregation is required constitute a disclosable transaction under Chapter 14 of the Listing Rules.

As at 31 December 2021, the Group had financial assets at FVTPL which amounted to RMB15.8 million in aggregate, mainly representing the Group's right and obligation in the Trust that constitute a derivative which is based on the stock price of the Company. The Trust was terminated in accordance with the Trust Agreement during the year.

Indebtedness

As at 31 December 2022, the Group had short term bank borrowings of RMB58.7 million that were made in Renminbi at a fixed interest rate of 3.50% to 4.35% and are expected to mature within 1 year.

Gearing ratio

As at 31 December 2022, the Group's gearing ratio was 3.9%. Gearing ratio was calculated by dividing bank and other borrowings by total equity as at the same date and multiply by 100%.

Capital expenditures

The Group made payment for the capital expenditures of RMB343.9 million in 2022 for new restaurant opening, refurbishment of existing restaurants and purchase of new equipment. In 2021, the Group's capital expenditures was RMB439.0 million. The Group's capital expenditure in 2022 was funded primarily by cash generated from its operations. In 2022, the Group opened a total of 86 new restaurants. As at 31 December 2022, the Company did not have other charge over its assets apart from the charge over its fixed assets with a net carrying amount of RMB14.3 million to secure short-term loans.

Contingent liabilities and guarantees

As at 31 December 2022, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group. During the year ended 31 December 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 31 December 2022, the Group had a total of 27,059 employees. In particular, 294 employees worked at the Group's food processing facilities, 2,764 were responsible for restaurant management, 22,901 were restaurant staff and 1,100 were administrative staff.

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

For the year ended 31 December 2022, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB1,553.5 million, representing approximately 32.9% of the total revenue of the Group.

The Company has adopted the pre-IPO share incentive plan and the restricted share unit scheme (the "**RSU Scheme**"). Computershare Hong Kong Trustees Limited has been appointed as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme (the "**RSU Trustee**"). During the year ended 31 December 2022, the RSU Trustee purchased an aggregate of 29,577,421 shares at a total cash consideration of approximately HK$120.2 million from the market.

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 restricted share units granted under the RSU Scheme, will be set out in the section headed "Directors' Report" in the annual report.

Final Dividend

The Board recommends the payment of a final dividend of RMB0.028 per share, amounting to approximately a total of RMB30 million for the year ended 31 December 2022 (the "**2022 Final Dividend**"). The 2022 Final Dividend is intended to be paid out of the Company's share premium account and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**").

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended 31 December 2022 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

		For the year ended 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**4,724,834**	6,147,262
Other income		**120,551**	103,767
Raw materials and consumables used		**(1,798,872)**	(2,341,334)
Staff costs		**(1,553,543)**	(1,829,717)
Property rentals and related expenses		**(251,793)**	(298,069)
Utilities expenses		**(177,465)**	(201,567)
Depreciation and amortisation		**(963,551)**	(1,052,911)
Other expenses		**(356,004)**	(441,814)
Other gains and losses	*5*	**(16,498)**	(206,708)
Finance costs	*6*	**(78,594)**	(92,562)
Loss before tax	*7*	**(350,935)**	(213,653)
Income tax benefit (expense)	*8*	**19,747**	(69,480)
Loss for the year		**(331,188)**	(283,133)
Total comprehensive expense for the year		**(331,188)**	(283,133)
(Loss) profit for the year attributable to:			
Owners of the Company		**(353,052)**	(293,212)
Non-controlling interest		**21,864**	10,079
		(331,188)	(283,133)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(353,052)**	(293,212)
Non-controlling interest		**21,864**	10,079
		(331,188)	(283,133)
Loss per share			
– basic (RMB cents per share)	*9*	**(33.42)**	(27.28)
– diluted (RMB cents per share)	*9*	**(33.42)**	(27.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**961,235**	1,052,577
Right-of-use assets	*11*	**1,417,290**	1,638,334
Intangible assets		**2,010**	2,403
Deferred tax assets		**73,222**	43,020
Rental deposits		**175,373**	169,582
Financial assets at fair value through profit or loss ("**FVTPL**")	*13*	**100,014**	–
Interest in a joint venture		**49,149**	49,000
		2,778,293	2,954,916
Current assets			
Inventories		**614,486**	598,962
Trade and other receivables and prepayments	*12*	**264,943**	394,790
Restricted bank balances		**61,521**	66,268
Cash and cash equivalents		**300,706**	920,533
Financial assets at FVTPL	*13*	**290,189**	15,832
		1,531,845	1,996,385
Current liabilities			
Trade payables	*14*	**242,734**	250,694
Accrual and other payables		**542,955**	603,868
Lease liabilities	*15*	**493,231**	509,492
Income tax payables		**35,741**	10,111
Contract liabilities		**399,934**	316,640
Deferred income		**1,277**	1,277
Bank borrowings		**58,678**	75,804
		1,774,550	1,767,886
Net current (liabilities) assets		**(242,705)**	228,499
Total assets less current liabilities		**2,535,588**	3,183,415

		As at 31 December	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Non-current liabilities			
Deferred income		**23,756**	25,033
Lease liabilities	*15*	**933,989**	1,089,793
Deferred tax liabilities		**–**	3,958
Provisions		**56,422**	53,329
		1,014,167	1,172,113
Net assets		**1,521,421**	2,011,302
Capital and reserves			
Share capital	*16*	**176**	176
Share premium and reserves		**1,457,667**	1,969,412
Equity attributable to owners of the Company		**1,457,843**	1,969,588
Non-controlling interest		**63,578**	41,714
Total equity		**1,521,421**	2,011,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the 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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1. Effective for annual periods beginning on or after 1 January 2023.
2. Effective for annual periods beginning on or after a date to be determined.
3. Effective for annual periods beginning on or after 1 January 2024.

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

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

	For the year ended 31 December 2022			
	Xiabuxiabu	**Coucou**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Type of goods or service				
Restaurant operations	**2,268,490**	**2,205,488**	**–**	**4,473,978**
Sales of condiment products	**–**	**–**	**142,617**	**142,617**
Sales of other goods and services	**17,329**	**361**	**90,549**	**108,239**
Total	**2,285,819**	**2,205,849**	**233,166**	**4,724,834**
Geographical markets				
Mainland China	**2,285,819**	**1,981,654**	**233,166**	**4,500,639**
Hong Kong	**–**	**171,399**	**–**	**171,399**
Singapore	**–**	**52,796**	**–**	**52,796**
Total	**2,285,819**	**2,205,849**	**233,166**	**4,724,834**

	For the year ended 31 December 2021			
	Xiabuxiabu	Coucou	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Type of goods or service				
Restaurant operations	3,497,210	2,353,479	–	5,850,689
Sales of condiment products	–	–	126,210	126,210
Sales of other goods	27,544	203	142,616	170,363
Total	3,524,754	2,353,682	268,826	6,147,262
Geographical markets				
Mainland China	3,524,754	2,229,446	268,826	6,023,026
Hong Kong	–	124,236	–	124,236
Total	3,524,754	2,353,682	268,826	6,147,262

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

3. **REVENUE – continued**

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

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

As at 31 December 2022

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

As at 31 December 2021

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

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

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

4. OPERATING SEGMENTS

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

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

- Xiabuxiabu: restaurant operation and related service under brand name of "Xiabuxiabu".

- Coucou: restaurant operation and related service under brand name of "Coucou".

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

4. OPERATING SEGMENTS – continued

Segment revenues and results

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

For the year ended 31 December 2022

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

Other segment information

Amounts included in the measure of segment results:

	Xiabuxiabu *RMB'000*	Coucou *RMB'000*	Total reportable segments *RMB'000*	Others *RMB'000*	Unallocated costs *RMB'000*	Consolidated *RMB'000*
Depreciation and amortisation	(522,694)	(422,436)	(945,130)	(16,284)	(2,137)	(963,551)
Gain on termination of lease	27,860	–	27,860	–	–	27,860
Gain on reassessment of lease liabilities	3,382	2,037	5,419	–	–	5,419
Finance costs (excluding interest on bank borrowings)	(42,098)	(32,917)	(75,015)	(1,032)	–	(76,047)

4. OPERATING SEGMENTS – continued

For the year ended 31 December 2021

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

Other segment information

Amounts included in the measure of segment results:

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

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

4. OPERATING SEGMENTS – continued

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

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

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

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

	As at 31 December 2021					
	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated assets	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	2,516,105	1,823,464	4,339,569	542,626	69,106	4,951,301
Other segment information						
Amounts included in the measure of segment assets:						
Interest in a joint venture	–	–	–	49,000	–	49,000
Additions to property, plant and equipment	150,335	201,548	351,883	17,592	–	369,475
Additions to right-of-use assets	283,267	234,315	517,582	–	–	517,582
Segment liabilities	1,709,625	1,114,809	2,824,434	115,565	–	2,939,999

4. OPERATING SEGMENTS – continued

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

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

– all liabilities are allocated to operating segments based on the corresponding operating brands.

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

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Mainland China	**2,269,888**	2,662,286
Hong Kong	**125,252**	60,462
Singapore	**34,544**	19,566
	2,429,684	2,742,314

5. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment, net	**(1,515)**	(761)
Gain on termination of lease *(i)*	**27,860**	44,482
Gain on reassessment of lease liabilities *(ii)*	**5,419**	5,975
Foreign exchange gain (loss), net	**4,793**	(8,095)
Loss on closure of restaurants *(iii)*	**(1,363)**	(103,654)
Reversal (provision) of impairment loss on other receivables	**259**	(17,662)
Impairment loss on rental deposit	**(5,328)**	(13,439)
Impairment loss recognised in respect of property, plant and equipment	**(23,274)**	(64,981)
Impairment loss recognised in respect of right-of-use assets	**(30,026)**	(54,447)
Gain from changes in fair value of financial assets at FVTPL	**14,000**	5,965
Loss on disposal of inventories	**(7,323)**	(91)
	(16,498)	(206,708)

5. OTHER GAINS AND LOSSES – continued

Notes:

(i) According to the performance of the restaurants and the business development plan, the Group closed down a number of under-performing restaurants to reinitiate the business and maintain the overall profitability level of the Group. The Group exercised the early termination option to terminate the lease contracts before the previously expected date. A net gain on termination of lease amounting to RMB27,860,000 was recognised for the year ended 31 December 2022 (2021: RMB44,482,000).

(ii) For the restaurants that the Group plans to exercise the early termination option, the Group remeasures the lease liability to reflect changes to the lease payments and recognised the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, for the leases that the carrying amount of the right-of-use asset is reduced to zero, the Group recognised the remeasurement of lease liability in profit or loss amounting to RMB5,419,000 for the year ended 31 December 2022 (2021: RMB5,975,000).

(iii) Due to the decline in restaurants' operating results as well as the management's strategic decision to permanently close certain restaurants, the Group incurred loss on closure of restaurants, including write-off of the leasehold improvements, uncollectible rental deposits and compensations paid, amounting to RMB1,363,000 for the year ended 31 December 2022 (2021: RMB103,654,000).

6. FINANCE COSTS

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Interest on lease liabilities	**73,464**	89,208
Interest on bank borrowings	**2,547**	1,732
Interest on provisions	**2,583**	1,622
	78,594	92,562

7. LOSS BEFORE TAX

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Depreciation of right-of-use assets	**561,449**	586,365
Depreciation of property, plant and equipment	**400,669**	464,925
Amortisation of intangible assets	**1,433**	1,621
Total depreciation and amortisation	**963,551**	1,052,911
Rentals in respect of restaurants lease payments		
– short-term lease *(i)*	**29,382**	40,699
– Covid-19-related rent concessions *(Note 11)*	**(5,060)**	(3,965)
– variable lease payment *(ii)*	**57,861**	79,588
– other rental expenses *(iii)*	**169,610**	181,747
Total property rentals and related expenses	**251,793**	298,069
Directors' emoluments	**9,053**	9,705
Other staff cost		
Salaries and other allowance	**1,412,751**	1,691,166
Equity-settled share-based payments	**(359)**	2,216
Retirement benefit contribution	**132,098**	126,630
Total staff costs	**1,553,543**	1,829,717
Auditor's remuneration	**3,000**	3,600

Notes:

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

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

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

8. INCOME TAX (BENEFIT) EXPENSE

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Enterprise income tax ("**EIT**")		
Current tax	**14,413**	22,339
Deferred tax	**(34,160)**	47,141
Total income tax recognised in profit or loss	**(19,747)**	69,480

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

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

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

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

Under the EIT Law, withholding tax is imposed on dividends declared and paid to non-PRC resident in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the accumulated undistributed profits of the PRC subsidiaries amounting to RMB1,159 million as at 31 December 2022 (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.

9. LOSS PER SHARE

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Loss figures are calculated as follows:		
Loss for the year attributable to owners of the Company	**(353,052)**	(293,212)

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

	For the year ended 31 December	
	2022	2021
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,056,404**	1,074,900
Effect of dilutive potential ordinary shares *(Note)*	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,056,404**	1,074,900

Note: The calculation of diluted loss per share for the year ended 31 December 2022 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 (2021: decrease in loss per share).

10. DIVIDENDS

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year	**60,000**	60,000

On 13 June 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 (2021: RMB30,000,000). The dividend was paid in June 2022.

On 11 October 2022, the Company declared a dividend of RMB0.028 per share with total dividends of RMB30,000,000 to shareholders for the period ended 30 June 2022 (2021: RMB30,000,000). The dividend was paid in October 2022.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2022 of RMB0.028 per share, amounting to approximately RMB30,000,000 to be paid out of the Company's share premium amount, which is subject to the approval by the shareholders at the forthcoming general meeting.

11. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
As at 31 December 2022			
Carrying amount	107,254	1,310,036	1,417,290
As at 31 December 2021			
Carrying amount	109,791	1,528,543	1,638,334
For the year ended 31 December 2022			
Depreciation charge	2,538	558,911	561,449
Impairment recognised in profit or loss *(i)*	–	30,026	30,026
	2,538	588,937	591,475
For the year ended 31 December 2021			
Depreciation charge	2,426	583,939	586,365
Impairment recognised in profit or loss *(i)*	–	54,447	54,447
	2,426	638,386	640,812

	For the year ended 31 December	
	2022 ***RMB'000***	2021 *RMB'000*
Expense relating to short-term leases	**29,382**	40,699
Variable lease payments not included in the measurement of lease liabilities	**57,861**	79,588
Total cash outflow for leases *(ii)*	**653,343**	789,391
Additions to right-of-use assets *(iii)*	**422,206**	517,582

Notes:

(i) After the assessment, the recoverable amount of the right-of-use asset was RMB1,417,290,000 (2021: RMB1,638,334,000) and an impairment of RMB30,026,000 (2021: RMB54,447,000) was recognised during the current year.

(ii) Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases and payments of lease payments on or before lease commencement date. These amounts could be presented in operating, investing or financing cash flows.

(iii) Amount includes right-of-use assets resulting from new leases entered and adjustments to fair value of rental deposits at initial recognition, lease modification, reassessment/exercise of extension options and payments for leasehold land.

11. RIGHT-OF-USE ASSETS – continued

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

The Group regularly entered into short-term leases mainly for rented premises and catering delivery robots. As at 31 December 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above (2021: similar).

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on 1% to 17% (2021: 2% to 20%) of sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in restaurants in Mainland China, Hong Kong and Singapore where the Group operates.

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

For the year ended 31 December 2022

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

For the year ended 31 December 2021

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

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

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**51,006**	41,748
Prepaid operating expenses	**24,978**	32,181
Prepayments to suppliers	**2,995**	2,565
Amounts prepaid to the RSU trustee for purchase of ordinary shares	**756**	15,497
Input value-added tax recoverable	**163,018**	282,587
Other receivables	**56,147**	54,755
	298,900	429,333
Less: Allowance for credit losses	**(33,957)**	(34,543)
Total trade and other receivables and prepayments	**264,943**	394,790

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

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**34,543**	16,881
Impairment losses recognised	**171**	17,662
Impairment losses reversed	**(430)**	–
Write-offs	**(327)**	–
At 31 December	**33,957**	34,543

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS – continued

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**40,420**	33,083
31 to 90 days	**9,595**	7,817
91 to 180 days	**991**	848
	51,006	41,748

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset mandatorily measured at FVTPL:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Financial products *(i)*	**390,203**	–
Derivative financial instruments *(ii)*	**–**	15,832
	390,203	15,832
Analysed for reporting purpose as:		
Current assets	**290,189**	15,832
Non-current asset *(i)*	**100,014**	–
	390,203	15,832

Notes:

(i) As at 31 December 2022, the Group's financial assets at FVTPL amounting to RMB390,203,000 are the financial products issued by banks and investment fund companies which have no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return, depending on the market price of underlying financial instruments, including government bonds, central bank bills, trust and other financial assets.

The maturity date of the financial product classified as non-current asset is 4 January 2024.

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

Notes: – continued

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

In the opinion of the Directors, the Company's right and obligation in the Trust constitute a derivative which is based on the stock price of the Company. The derivative was recorded as a financial asset measured at FVTPL. The Trust was terminated according to the Trust agreements in the current year.

14. TRADE PAYABLES

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 60 days	**237,424**	246,217
61 to 180 days	**4,391**	2,619
181 days to 1 year	**520**	1,038
Over 1 year	**399**	820
	242,734	250,694

15. LEASE LIABILITIES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**493,231**	509,492
Within a period of more than one year but not exceeding two years	**392,688**	430,060
Within a period of more than two year but not exceeding five years	**492,140**	581,426
Within a period of more than five years	**49,161**	78,307
	1,427,220	1,599,285
Less: Amount due for settlement with 12 months shown under current liabilities	**(493,231)**	(509,492)
Amount due for settlement after 12 months shown under non-current liabilities	**933,989**	1,089,793

The weighted average incremental borrowing rates applied to lease liabilities range from 3.60% to 5.88% (2021: 3.60% to 5.64%).

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

	SG Dollars	**HK Dollars**	**US Dollars**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2022	**5,701**	**82,281**	**23**
As at 31 December 2021	2,699	82,321	65

16. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December	
	2022	2021
	USD'000	*USD'000*
Share capital of US$0.000025 each	**27**	27
	RMB'000	*RMB'000*
Presented as:		
Ordinary shares	**176**	176

	As at 31 December	
	2022	2021
	'000	*'000*
Number of shares:		
Fully paid ordinary shares	**1,086,174**	1,085,898

Ordinary shares

	Authorized shares		Issued capital	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	*RMB'000*	*'000*	*RMB'000*
Balance at 31 December 2020	2,000,000	336	1,083,790	175
Exercise of issued share option	–	–	2,108	1
Balance at 31 December 2021	2,000,000	336	1,085,898	176
Exercise of issued share option	–	–	276	–
Balance at 31 December 2022	**2,000,000**	**336**	**1,086,174**	**176**

IMPACT OF THE PANDEMIC

Following the development of the Pandemic, restrictions on consumption areas imposed as a result of the Pandemic affected the Group's business greatly. In order to ensure the safety of its staff and customers, the Group gradually suspended some of its restaurant operations in 2022. As the effective Pandemic management by the Central Government, the domestic Pandemic situation had eased up significantly since December 2022, the Group started to gradually reopen some of those restaurants that were closed due the Pandemic, the Group's business has been recovering gradually.

- The Pandemic continued in the form of Omicron, posing challenges to the operations of the Group. The Group is learning from the past three years and will adopt a cautious and modest restaurant opening strategy, choosing locations only where the Group sees there is sufficient customer traffic to ensure the restaurants are able to generate normal profitability level and can generate stable source of cash flow. In 2022, there was a huge change to business environment, the Group altered its strategy, for example, closing down non profitable restaurants that are located at old commercial locations where sales dropped as a result of lower customer traffic and in locations which do not match the brand's image;

- Took on a proactive approach to negotiate rental free concessions with owners and landlords in order to reduce the operating overheads of the Company;

- During the period where dine-in business was affected, the Group puts in additional efforts to promote online delivery business, rolling out fresh ingredients and hotpot deliveries. In 2022, revenue generated from delivery business contributed RMB338.9 million;

- The Group started to relaunch the "value for money" set menu as it is the core strength and roll out bar seating whereby customers can dine safely and economically. The Group believes alongside with its branding and marketing initiatives, the Group will be able to strive through this Pandemic and be able to stand out in this highly competitive environment;

- The Company understands that at this challenging times, it is imperative to remain financially healthy, therefore maintaining a healthy cash flow position even during the Pandemic, as at 31 December 2022, the Company had bank balances and cash of RMB300.7 million.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Board recommends the payment of the 2022 Final Dividend of RMB0.028 per share for the year ended 31 December 2022 to be paid out of the Company's share premium account. Such payment of dividend will be subject to the approval of the Company's shareholders at the forthcoming AGM to be held on 25 May 2023 and is payable to those shareholders whose names appear on the register of members of the Company on 7 June 2023. The 2022 Final Dividend will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 7 June 2023. The 2022 Final Dividend, if approved by the shareholders at the AGM, is expected to be paid on or about 16 June 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2023 to 25 May 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on 25 May 2023, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 22 May 2023.

Subject to the approval of the declaration of the 2022 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from 2 June 2023 to 7 June 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the 2022 Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 1 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

During the year ended 31 December 2022, the Company complied with the applicable code provisions of Part 2 of the Code as set out in Appendix 14 to the Listing Rules, except for a deviation from code provision C.2.1 of the Code which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

As Mr. Ho Kuang-Chi, the founder of the Company, is familiar with and has extensive knowledge and experience in the Group's business, the Board considers that vesting the roles of both chairman of the Board and chief executive officer in the same person provides the Group with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategy. The balance of power and authority is adequately ensured by the operations of the senior management and the Board, which comprises experienced and high-caliber individuals. As at the date of this announcement, the Board comprises an executive Director (i.e. Mr. Ho Kuang-Chi), two non-executive Directors and 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules 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 code of conduct during the year ended 31 December 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's relevant employees was noted by the Company during the year ended 31 December 2022.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Save as disclosed in the section headed "Management Discussion and Analysis — Employee and remuneration policies" above in relation to the purchase of shares by the RSU Trustee, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended 31 December 2022.

Details of the shares purchased by the RSU Trustee for the purpose of the RSU Scheme during the year ended 31 December 2022 will be disclosed in the section headed "Directors' Report" in the annual report.

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 Ms. Li Jie. Mr. Hon Ping Cho Terence is the chairman of the Audit Committee. The Audit Committee has reviewed together with the management and external auditor the annual results of the Group for the year ended 31 December 2022.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and that of the Company (www.xiabu.com). The annual report of the Company for the year ended 31 December 2022 will be dispatched to the shareholders of the Company and will be available on the website of The Stock Exchange of Hong Kong Limited and that of the Company in due course.

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

Hong Kong, 28 March 2023

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