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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)

PROFIT ALERT – REDUCTION OF LOSS

This announcement is made by Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and prospective investors of the Company that, based on its preliminary assessment of the Group’s unaudited consolidated management accounts for the year ended 31 December 2023 and information currently available to the Board, the Group is expected to record a revenue of approximately RMB5,900 million for the year ended 31 December 2023, representing an increase of approximately 25% as compared to that for the year ended 31 December 2022. The Group is expected to record a net loss ranging from approximately RMB180 million to RMB200 million for the year ended 31 December 2023 as compared to a net loss of approximately RMB331 million for the year ended 31 December 2022, which has narrowed as compared to the previous year.

The net loss of the Group for the year ended 31 December 2023 was primarily attributable to (i) relevant provision made for asset impairment loss of no more than RMB160 million in 2023 after prudently reviewed the restaurants that are expected to close and continue to incur losses; (ii) the decrease of deferred tax assets of certain subsidiaries as of 31 December 2023 by approximately RMB60 million as compared to the same time in 2022; and (iii) the fact that the current competition in the catering market is becoming increasingly fierce and consumption is weak. The downgrade of consumption has had an impact on Coucou, which is positioned as a mid-to-high-end brand, leading to losses in its business. However, the Company continued to optimise its management structure and operation model in 2023, and achieved remarkable results in the following aspects, which also laid a solid foundation for future operation and development, including (i) through consolidating and expanding the advantages of the supply chain in the industry, the average purchase unit price was effectively decreased; and (ii) through more scientific and efficient scheduling, labour costs were effectively reduced.

The Group has adopted a series of measures to prudently manage its working capital to ensure a healthy cash flow and a sound cash position while keeping a close watch over its restaurants operations and continuing to control costs and improve operational efficiency based on market conditions, at the group level, including (i) offering the option of smaller portion for some of its dishes, regional customization, full-time operation, multi-scenario and other business portfolio to quickly respond to changes in market consumption trends; (ii) further developing paid membership rights and improving re-subscription and loyalty of membership; (iii) increasing the number of strategic suppliers and utilizing the advantages of centralized procurement to effectively reduce the average purchase price; (iv) actively improving the cost structure of restaurant operations by optimising the restaurant profitability model through the new small restaurant model and the investment model of “prioritizing design over building materials”, while improving the dining environment and service experience of customers; and (v) bargaining for more favourable leasing conditions with core businesses with the enhancement of brand power, actively responding to market changes, and thereby achieving steady growth in performance.

At the Coucou level, the following measures will be taken to lay a solid foundation for the continuous improvement of operations, including (i) accelerating the launch process of new dishes, planning the future new product launch plan and pace half a year to one year in advance, establishing a dish library as a new product reserve to respond to market demand and changes at any time; (ii) planning a clearer campaign matrix, supplemented by diversified campaign types and realisation methods, to establish connections with consumers through a series of promotion activities, and enhance brand loyalty; and (iii) upgrading the internal training system to strengthen and improve the comprehensive capabilities of employees for responding to various scenarios at the front line of restaurant operations at any time, so as to improve service quality and optimise internal management.

The Group has been closely monitoring on its restaurants’ performances and adjusts its business strategy from time to time. To improve the Group’s operating results, the Group continuously pays close attention to the market conditions, reviews the operations of its restaurants and makes timely adjustments to its organizational structure and business strategy. At the same time, the Group will adopt various measures to increase the operating revenue of its restaurants and control various operating costs. Given that the Chinese government continues to implement the strategy of expanding domestic demand and effective investment, enhancing corporate confidence, and considering the stable financial position and sufficient working capital of the Group, the Board believes that the Group’s business will achieve a turnaround and is confident towards its future development.

As the results for the year ended 31 December 2023 have not been finalized, the information contained in this announcement is only a preliminary assessment by the Board based on information currently available including the unaudited consolidated management accounts of the Group for the year ended 31 December 2023, which have not been audited or reviewed by the auditors of the Company, nor reviewed by the audit committee of the Board.

The annual results announcement of the Company for the year ended 31 December 2023 is expected to be published by the end of March 2024 in full compliance with the requirements under the Listing Rules.

Shareholders and prospective investors are advised to exercise cautions when dealing in the shares of the Company.

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

Hong Kong, 8 March 2024

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