

呷哺呷哺

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



Quality from Persistence



ANNUAL REPORT
2014

CONTENTS

2	CORPORATE INFORMATION
4	FINANCIAL SUMMARY
5	CHAIRMAN'S STATEMENT
9	BUSINESS REVIEW AND OUTLOOK
14	MANAGEMENT DISCUSSION AND ANALYSIS
21	BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT
24	DIRECTORS' REPORT
35	CORPORATE GOVERNANCE REPORT
39	INDEPENDENT AUDITOR'S REPORT
41	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
42	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
43	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
44	CONSOLIDATED STATEMENT OF CASH FLOWS
46	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



CORPORATE INFORMATION



BOARD OF DIRECTORS

Executive Directors

Mr. Ho Kuang-Chi (*Chairman*)
Ms. Yang Shuling

Non-executive Directors

Ms. Chen Su-Yin
Mr. Wei Ke

Independent Non-executive Directors

Ms. Hsieh Lily Hui-yun
Mr. Hon Ping Cho Terence
Ms. Cheung Sze Man

AUDIT COMMITTEE

Ms. Hsieh Lily Hui-yun (*Chairman*)
Mr. Wei Ke
Mr. Hon Ping Cho Terence

NOMINATION COMMITTEE

Mr. Ho Kuang-Chi (*Chairman*)
Ms. Hsieh Lily Hui-yun
Ms. Cheung Sze Man

REMUNERATION COMMITTEE

Mr. Hon Ping Cho Terence (*Chairman*)
Mr. Ho Kuang-Chi
Ms. Cheung Sze Man

COMPANY SECRETARY

Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Mr. Ho Kuang-Chi
Ms. Ng Sau Mei

CORPORATE INFORMATION

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
 35/F, One Pacific Place
 88 Queensway
 Hong Kong

COMPLIANCE ADVISOR

Anglo Chinese Corporate Finance Limited
 40th Floor
 Two Exchange Square
 8 Connaught Place
 Central
 Hong Kong

COMPANY'S WEBSITE

www.xiabu.com

STOCK CODE

520

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Suncun Industrial Development Zone
 Huangcun Town
 Daxing District
 Beijing
 PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Codan Trust Company (Cayman) Limited
 2901 One Exchange Square
 Connaught Place
 Central
 Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai
 Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square
 Hutchins Drive
 P.O. Box 2681
 Grand Cayman
 KY1-1111
 Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1201, 12/F
 OfficePlus @Wan Chai
 No. 303 Hennessy Road
 Wanchai
 Hong Kong

PRINCIPAL BANK

Shanghai Pudong Development Bank



FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December			
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Revenue	2,201,989	1,890,470	1,508,331	997,269
Restaurant level operating profit ⁽¹⁾	450,257	365,823	282,645	194,481
Profit before tax	186,043	184,708	139,556	98,771
Profit and total comprehensive income for the year attributable to owners of the Company	141,193	140,710	107,523	75,662

ASSETS AND LIABILITIES

	As at 31 December			
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Assets				
Non-current assets	404,223	349,677	313,680	245,383
Current assets	1,277,927	491,662	332,167	239,847
Total assets	1,682,150	841,339	645,847	485,230
Equity and liabilities				
Total equity	1,273,866	537,417	365,403	308,164
Non-current liability	17,465	18,375	16,835	17,745
Current liabilities	390,819	285,547	263,609	159,321
Total liabilities	408,284	303,922	280,444	177,066
Total equity and liabilities	1,682,150	841,339	645,847	485,230
Net current assets	887,108	206,115	68,558	80,526
Total assets less current liabilities	1,291,331	555,792	382,238	325,909

Note:

- (1) Restaurant level operating profit is calculated by deducting raw materials and consumables cost and restaurant level staff costs, restaurant level rental and property related expenses, restaurant level depreciation and amortization and other restaurant level expenses. Restaurant level operating profit is an unaudited non-generally accepted accounting principle ("GAAP") item. The Group has presented this non-GAAP item because the Group considers it important supplemental measures of the Group's operating performance and believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies in the industry the Group operates in. The Group's management uses such non-GAAP item as an additional measurement tool for purposes of business decision-making. Other companies in the industry the Group operates may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under International Financial Reporting Standards ("IFRS") and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under IFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

CHAIRMAN'S STATEMENT

Mr. Ho Kuang-Chi

Chairman of the Board



Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of Xiabuxiabu Catering Management (China) Holdings Co., Ltd (the “**Company**” or “**Xiabuxiabu**”), I am pleased to present the annual report of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2014.

The motto of success of the Company is “High quality derives from persistent efforts” and we believe in values as “unity, pragmatism, integrity, diligence and creativity”. We strive to improve the values and competitive strengths of the Company and are determined to build the Company as the leader of the fast casual restaurants in China.

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 17 December 2014, which is an important milestone for the Company’s development. The Company’s successful listing reflected the recognition by the capital markets of the Company’s development strategy and corporate governance, and laid a solid foundation for the development of the Company in the future.

CHAIRMAN'S STATEMENT

FINANCIAL HIGHLIGHTS

Although we encountered economic slowdown and instability, restructuring and increasing competition of the catering service industry in 2014, we have been actively responding to such challenges and persisting in realizing the continuous growth of our operating results. For the year ended 31 December 2014, Xiabuxiabu has achieved outstanding results in our key operational indicators. In 2014, we opened a total of 86 new restaurants and our revenue increased to RMB2,202 million in 2014, representing a year-on-year growth of 16.5% from 2013. Net profit for 2014 reached RMB141 million and after excluding the listing expense of RMB32.68 million and share-based compensation expenses in relation to employee share options of RMB12.13 million, the adjusted net profit was RMB186 million, representing a year-on-year growth of 31.8% compared to 2013. The adjusted net profit margin increased by 1.0% to 8.4% compared to 2013.

BUSINESS HIGHLIGHTS

We believe that Xiabuxiabu has been the undisputed leader of the fast casual hotpot industry. We persist in innovating, improving our operating results and strengthening our competition advantages through economies of scale and systematic management, so that we will be able to provide continuous and stable returns to our shareholders.

New Restaurants Opening

We have been steadily implementing our five-year expansion plan. We have expanded our business by further cultivating our current markets in Beijing and Northern China, as well as developing new markets. To ensure our success in expansion, we enhanced our restaurant development plan and continuous inventory management. We also optimize our site selection standards and ensure research and pre-test before we enter any new market. In addition, we have formed strategic alliances and collaborate with owners and developers of commercial real estate such as shopping malls. As at 31 December 2014, Xiabuxiabu owned and operated 452 restaurants in 26 cities over six provinces as well as three centrally administered municipalities in China, of which 86 restaurants were opened in 2014.

Sales Growth

We are continuously improving our service standard and efficiency, and in the meantime, enhancing our brand promotion by integrating our online and offline marketing channels, such as Wechat, Weibo, and other payment channels, cooperating with leading group-buy websites as well as several domestic banks, and launching various marketing activities. In addition, in order to improve customers' experience, we constantly optimize our menu, launch new menu items, update the dish combination, adjust the pricing strategy and improve the restaurant environment. For the year ended 31 December 2014, despite a turbulent catering service market, we managed to achieve same-store sales growth of 1.5% from last year.



CHAIRMAN'S STATEMENT

Profit Growth

Evidenced by the increase of the consumer price index, the increasing costs for food ingredients, labor and rent has become the major challenges faced by the catering service industry. In response, we constantly strengthen our price bargaining power leveraging our operational scale and strategically manage our stock, so as to efficiently control our cost for ingredients, which is far below the average procurement price in the industry. In the meantime, we strengthen our labor efficiency by adjusting staff structure, enhancing shifts management and improving flow in our restaurants. We have also managed to maintain our rental expenses at a stable percentage of our revenue by maintaining strategic alliances with landlords, developing new markets and opening smaller size restaurants. All such efforts have laid solid foundation for our profit growth.

Social Responsibilities

The Company continued to adhere to the philosophy of paying back to the society. In 2014, the Company has sponsored left-behind children in Yunnan, Gansu, Guizhou and Jiangxi, through China Children and Teenagers' Fund and China National Radio. The Company also took the lead to make donations in the aftermath of the gas explosion in Taiwan, which impressed the industry and the others. We have also purchased food ingredients of approximately RMB50 million from farmers and agricultural cooperatives under our farm-to-table project we implemented, which has significantly improved the farmers' income and suppressed the increase of our food ingredients procurement costs.

OUTLOOK FOR 2015

Proceeding from our outstanding performance, we will endeavor to achieve more in the future. We will continue to innovate, optimize our platform and enhance our competitive strengths, to ensure the sustainable development of Xiabuxiabu, by which we will be able to create greater value and returns to our customers, employees and shareholders.

Brand Promotion

We have shifted from business-centered strategy to brand-building strategy. By the end of 2014, we have optimized our brand positioning. "Xiabuxiabu", as the unique brand, will be the vanguard for our business in 2015 and beyond. In the meantime, innovative online and offline marketing initiatives will be launched to help enhance our brand recognition.

Same-Store Sales Growth

In addition to branding and promotion initiatives, we will accelerate our exploration on the new Xiabuxiabu-Stop model in 2015 and fully utilize business hours beyond rush hours during lunch and dinner time to improve our operating results, by supplementing our current model. Marketing with a focus on customer relationship management will also further increase customer stickiness. We also plan to fully utilize our over 50 million customer flow and initiate joint promotion programs with renowned brands in this big data era.



CHAIRMAN'S STATEMENT

Expansion Strategy

We will follow our five-year strategic plan to steadily expand our business. We plan to open 120 new stores in 2015 and further explore and penetrate into Shanxi, Henan, Hubei and Heilongjiang. During our expansion, we will continue to focus on new markets research and create synergies among functions of our internal departments such as business development, sales and marketing and operations departments so as to ensure the success of our new restaurants in emerging markets.

Profit Management

In terms of management of our food ingredients cost, we intend to maintain our cost competitiveness within the industry through entering framework agreements with our suppliers and formulating our procurement plan based on consumption forecast. In terms of management of our labor cost, we also intend to optimize restaurant layout, introduce new technologies and continuously improve operation management efficiency in response to the increasing labor cost. In addition, we intend to enhance our brand value, strengthen strategic alliance with landlords, as well as open smaller size and higher return restaurants, thereby effectively control our rental expenses.

Organization and Employee Development System

In order to better understand the market and accelerate our market response, we will enhance our accountability system. The general manager of specific markets has overall responsibility for marketing and sales, restaurant openings and profit management in the respective local market. As to employee development, in addition to constantly implementing our management trainee project, we will continuously enhance our system of employee appraisal, training and promotion, to ensure a sustainable supply of talents. At the same time, we will also explore on the establishment of an efficient long-term store manager system.

In the past 16 years, Xiabuxiabu has established the model featuring in high profits and fast duplication by successfully building up the systemized management



model of integrating procurement, delivery, operation and the standardized information system for the Group. Despite a slightly lagging market, Xiabuxiabu has been striving for excellence as well as making continuous innovations, so as to live up to the expectations of the shareholders and the society as a whole in the upcoming year.

My gratitude goes to the management team and all employees for their excellent work and contribution in the past year, to the support from the shareholders, business partners and all walks of life, as well as to their confidence in Xiabuxiabu. Judging from Xiabuxiabu's development over the past 16 years, I am very optimistic about Xiabuxiabu's prospects in the future. We are bound to become a powerful leading brand in Asia's catering sector and to build it as a home that is our employees' joy and pride, an enterprise that our shareholders trust and are willing to invest in, as well as an industry leader with best social values.

Ho Kuang-Chi

Chairman

Hong Kong, 18 March 2015

BUSINESS REVIEW AND OUTLOOK

OVERVIEW

In 2014, the Group opened a total of 86 restaurants, which is in line with the Group's overall restaurant network expansion plan for the year. The Group extended its restaurant network into Shanxi Province and Henan Province in 2014. As of 31 December 2014, the Group owned and operated 452 restaurants in 26 cities over six provinces and in three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China.

Although we encountered economic instability, the Group's revenue still increased by 16.5% from RMB1,890.5 million in 2013 to RMB2,202.0 million in 2014 because of our constant efforts. In the meanwhile, the Group's efforts in controlling procurement costs for raw materials by price bargaining power enhancement, products combination optimization and strategic stock management, resulted in the Group's restaurant level operating profit grew by 23.1% from RMB365.8 million in 2013 to RMB450.3 million in 2014. As of 31 December 2014, the Group's net current assets increased significantly to RMB887.1 million from RMB206.1 million as of 31 December 2013.

In addition, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 December 2014 (the "Listing Date"), marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group's future development.

INDUSTRY REVIEW

In 2014, China's catering service market fluctuated significantly, but started to recover by the end of the year stemming from favorable government policies introduced during the year. According to the China Cuisine Association, China's catering service market grew by 9.7% from 2013 to reach RMB2,786 billion, which was the first increase in year-on-year growth rate since 2011. We expect a more stably growing catering service market in 2015 with various favorable policies continue to be launched by the government. The market for hotpot dining experienced a stronger year-on-year growth at 13% in 2014. Leveraging the favorable industry trend as well as its leading position within the fast casual dining market, the Group, with persistent efforts, was able to record satisfactory results of operations.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The Group's restaurant network

In 2014, the Group adhered to its restaurant network expansion plan and opened a total of 86 restaurants. The Group also suspended the operation of 22 restaurants which did not possess the relevant fire safety certificates shortly before the Listing Date and closes another six restaurants. The table below sets forth the breakdown of the Group's system wide restaurants by region as of the dates indicated:

	As of 31 December			
	2014		2013	
	#	%	#	%
Beijing	246	54.4	243	61.7
Shanghai	58	12.8	55	14.0
Tianjin	42	9.3	34	8.6
Other regions ⁽¹⁾	106	23.5	62	15.7
Total	452	100.0	394	100.0

(1) Including 26 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi and Henan Provinces.

BUSINESS REVIEW AND OUTLOOK

Key operational information for the Group's restaurants

Set forth below are certain key performance indicators of the Group's system wide restaurants by region:

	As of or for the years ended	
	31 December	
	2014	2013
Revenue (in RMB thousands)		
Beijing	1,525,380	1,390,192
Shanghai	214,815	197,291
Tianjin	155,154	116,272
Other regions ⁽¹⁾	306,640	186,715
Total	2,201,989	1,890,470
Seat turnover rate (X)⁽²⁾		
Beijing	4.3	4.8
Shanghai	2.6	2.7
Tianjin	3.3	3.4
Other regions ⁽¹⁾	3.0	3.3
Total	3.8	4.2
Average spending per customer (RMB)⁽³⁾		
Beijing	44.4	40.8
Shanghai	47.6	42.9
Tianjin	43.6	40.3
Other regions ⁽¹⁾	43.2	39.0
Total	44.4	40.8

(1) Including 26 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi and Henan Provinces.

(2) Calculated by dividing total customer traffic by total restaurant operation days and average seat count during the year.

(3) Calculated by dividing revenue for the year by total customer traffic for the year.

In 2014, Beijing continued to be the Group's most important geographical market both in terms of restaurant count and revenue contribution. However, as the Group successfully expanded into additional markets, the Group's revenue generated from restaurants in Beijing decreased as a percentage of the Group's total revenue in 2014. Meanwhile, in 2014, average customer spending continued to increase, primarily due to (i) a general increase in food ingredients prices in China; and (ii) the Group's effort to optimize its product combinations as well as continuously launch new products.

BUSINESS REVIEW AND OUTLOOK

The table below sets forth the Group's same-store sales for the years indicated. The Group's same-store base is defined as those restaurants that were in operation throughout the periods under comparison.

	Year ended 31 December		Year ended 31 December	
	2013	2014	2012	2013
Number of same-store				
Beijing	213		198	
Shanghai	50		39	
Tianjin	29		24	
Other regions ⁽¹⁾	46		21	
Total	338		282	
Same-store sales (in RMB millions)				
Beijing	1,275.1	1,286.4	1,162.5	1,199.1
Shanghai	179.9	188.0	133.5	125.9
Tianjin	104.5	109.7	72.5	82.0
Other regions ⁽¹⁾	156.3	156.8	56.2	57.3
Total	1,715.8	1,740.9	1,424.7	1,464.3
Same-store sales growth (%)				
Beijing	0.9		3.1	
Shanghai	4.5		(5.7)	
Tianjin	5.0		13.1	
Other regions ⁽¹⁾	0.4		2.0	
Nationwide	1.5		2.8	

(1) Including 26 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi and Henan Provinces.

In 2014, the Group recorded a lower nationwide same-store sales growth as compared with 2013, primarily as the Group's same-stores in Beijing experienced a slower growth, which in turn was primarily due to a general slowdown in the economic growth and a turbulent catering service market in China.

BUSINESS REVIEW AND OUTLOOK

OUTLOOK FOR 2015

Business Outlook

During 2015, the Group will continue its efforts to achieve its goal of becoming the leading operator of fast casual restaurant industry and maintaining its leading position as a hotpot restaurant chain operator in China. The Group intends to pursue the following:

- *Promote brand image and recognition* – As the Group has optimized its brand positioning in 2014, the Group will shift from business-centered strategy to brand-building strategy. The brand value of “Xiabuxiabu” will be the vanguard for the Group’s business in 2015 and beyond. In the meantime, innovative online and offline marketing initiatives will be launched to help enhance the Group’s brand recognition.
- *Drive same-store sales growth* – In addition to branding and promotion initiatives, the Group will accelerate its exploration on the new Xiabuxiabu-Stop model in 2015 and fully utilize business hours beyond rush hours during lunch and dinner time to improve its operating results, by supplementing its current model. Marketing with a focus on customer relationship management will also further increase customer stickiness. The Group also plans to fully utilize its over 50 million customer flow and initiate joint promotion programs with renowned brands in this big data era.
- *Expansion of restaurant network* – The Group will follow its five-year strategic plan to steadily expand the Group’s business. The Group plans to open 120 new restaurants in 2015 to strengthen the presence in existing markets and further explore and penetrate into new markets such as Shanxi, Henan, Hubei and Heilongjiang. During the expansion, the Group will continue to focus on new markets research and create synergies among functions of the Group’s internal departments such as business development, sales and marketing and operations departments so as to ensure the success of new restaurants in emerging markets.
- *Enhance profitability* – The Group intends to maintain cost competitiveness within the industry through entering framework agreements with suppliers and formulating procurement plan based on consumption forecast. In terms of management of labor cost, the Group also intends to optimize restaurant layout, introduce new technologies and continuously improve operation management efficiency in response to the increasing labor cost. In addition, the Group intends to enhance its brand value, strengthen strategic alliance with landlords, as well as open smaller size and higher return restaurants, thereby effectively control rental expenses.
- *Strengthen organization and human resources management* – In order to better understand the market, the Group will enhance its accountability system and encourage the proactivity of general manager of specific markets to take overall responsibility for marketing and sales, restaurant openings and profit management in the respective local market. As to employee development, in addition to constantly implementing the management trainee project, the Group will continuously enhance its system of employee appraisal, training and promotion, to ensure a sustainable supply of talents. At the same time, the Group will also explore on the establishment of an efficient long-term store manager incentive system.
- *Maintain stringent food safety and quality standard* – The Group will further its commitment to food safety and quality, including the following aspects: (i) implement stringent food safety and quality control standards and measures throughout different aspects of the Group’s operations, including supply chain, logistics, food processing plants and restaurants; (ii) continue the Group’s centralized procurement system; (iii) cooperate exclusively with reputable and high-quality suppliers; (iv) eliminate intermediaries in the supply chain through direct delivery to restaurant from suppliers or the Group’s logistics centers; and (v) continuous self-evaluation and enhancement on the Group’s food safety and quality control standards and measures.

BUSINESS REVIEW AND OUTLOOK

Industry Outlook

The Group believes that the growing per capita disposable income and urbanization rate, changing consumer lifestyle, quicker living tempo and increasing amount of dining-out people, as well as favorable government policies will continue to support the development of China's catering service market. In particular, the Group expects China's catering service industry to experience the following trends:

- *More supporting measures from the government to companies that provide for the basic needs* – After the promulgation of the Guidance on Accelerating the Development of Catering Service Industry for Common People by China's Ministry of Commerce in May 2014, the Group believes that the government will roll out more supporting measures for the catering service industry covering various aspects, including taxation, administrative procedures and fee.
- *Consolidation by restaurant chains* – China's catering service industry, particularly the QSR industry, is likely to be more consolidated by chained QSR with greater quality and reputation.
- *Increasing attention from the capital market* – As China's catering service industry experienced a strong growth in 2014, the global capital market is expected to show stronger interest in China-based restaurant operator. Large international restaurant operators also show increasing interest in Chinese- and Asian-style QSRs.
- *Challenges* – China's catering service industry also faces challenges including intensified competition in the same industry, rising food ingredients price, and increasing cost for labor and rent in first-tier cities.



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 2013 to 2014:

	Year Ended 31 December				Year-on-Year Change
	2014		2013		
	RMB'000	%	RMB'000	%	%
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	2,201,989	100.0	1,890,470	100.0	16.5
Other income	11,787	0.5	13,505	0.7	(12.7)
Raw materials and consumables used	(871,562)	(39.6)	(817,548)	(43.2)	6.6
Staff cost	(523,595)	(23.8)	(399,312)	(21.1)	31.1
Property rentals and related expenses	(283,809)	(12.9)	(232,969)	(12.3)	21.8
Utilities expenses	(93,230)	(4.2)	(78,346)	(4.1)	19.0
Depreciation and amortization	(91,716)	(4.2)	(87,206)	(4.6)	5.2
Other expenses	(164,811)	(7.5)	(92,856)	(4.9)	77.5
Other gains and losses	990	–	(11,030)	(0.6)	–
Profit before tax	186,043	8.4	184,708	9.8	0.7
Income tax	(44,850)	(2.0)	(43,998)	(2.3)	1.9
Profit for the year	141,193	6.4	140,710	7.4	0.3
Earnings per share					
Basic (RMB cents per share)	16.88		17.05		
Diluted (RMB cents per share)	16.76		17.05		

Revenue

The Group's revenue increased by 16.5% from RMB1,890.5 million in 2013 to RMB2,202.0 million in 2014, primarily due to the increase in the number of the Group's restaurants from 394 as of 31 December 2013 to 452 as of 31 December 2014, as well as the same-store sales growth of 1.5% the Group recorded in 2014. The Group opened 86 new restaurants throughout China in 2014 to capture the growth in the fast casual restaurant market. Meanwhile, the Group continued to record same-store sales growth was driven primarily by (i) overall rising food ingredients prices in China; and (ii) the Group's efforts to further optimize its menu and product combination and continuously launch new products.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

The Group's other income decreased by 12.7% from RMB13.5 million in 2013 to RMB11.8 million in 2014, primarily due to the decrease in interest income from short-term investments as the Group reduced its investments in short-term investment contracts. This is because the Company paid out dividends in the amount of RMB150.0 million (for the Group's profit for 2013) and RMB70.0 million (for the Group's profit for the six months ended 30 June 2014) in February 2014 and September 2014, respectively.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 6.6% from RMB817.5 million in 2013 to RMB871.6 million in 2014 as the scale of the Group's operations further increased, which included the number of the restaurants in the Group's network and the Group's system-wide sales. As a percentage of the Group's revenue, the Group's raw materials and consumables costs decreased from 43.2% in 2013 to 39.6% in 2014, primarily due to (i) an increase in the prices of the Group's menu items to reflect the general increase in food prices in China; (ii) the increase in sales of premium menu items with high profit margin as the Group continued to optimize its menus, adjust products combination and launch new products; and (iii) the Group's continued procurement cost control efforts.

Staff cost

The Group's staff cost increased by 31.1% from RMB399.3 million in 2013 to RMB523.6 million in 2014, primarily due to an increase in the number of the Group's employees from 10,739 as of 31 December 2013 to 13,282 as of 31 December 2014. As a percentage of the Group's revenue, the Group's staff cost increased from 21.1% in 2013 to 23.8% in 2014, primarily as a result of an increase in the average salary the Group paid. The increase in the Group's average salary was primarily due to the overall market trend in China. In addition, the Group commenced an incentive bonus system for the Group's restaurant staff in July 2013. In 2014, in connection with the pre-IPO share incentive plan adopted by the Company on 28 August 2009 (the "**Pre-IPO Share Incentive Plan**"), the Group incurred equity-settled share-based expenses of RMB12.1 million in 2014 (2013: nil).



Property rentals and related expenses

The Group's property rentals and related expenses increased by 21.8% from RMB233.0 million in 2013 to RMB283.8 million in 2014, primarily due to an increase in the number of the Group's restaurants. As a percentage of the Group's revenue, property rentals and related expenses remained relatively stable at 12.9% in 2014 as compared with 12.3% in 2013.

Utilities expenses

The Group's utilities expenses increased by 19.0% from RMB78.3 million in 2013 to RMB93.2 million in 2014 as the scale of the Group's operation in terms of number of restaurants continued to increase. As a percentage of the Group's revenue, utilities expenses remained relatively stable at 4.2% in 2014 as compared with 4.1% in 2013.

Depreciation and amortization

The Group's depreciation and amortization increased by 5.2% from RMB87.2 million in 2013 to RMB91.7 million in 2014, primarily due to an increase in the Group's property, plant and equipment as the Group continued to open new restaurants. As a percentage of the Group's revenue, depreciation and amortization decreased to 4.2% in 2014 from 4.6% in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Other expenses

The Group's other expenses increased by 77.5% from RMB92.9 million in 2013 to RMB164.8 million in 2014 as the Group's scale of operation continued to grow. As a percentage of the Group's revenue, the Group's other expenses increased from 4.9% in 2013 to 7.5% in 2014, primarily due to the expenses of RMB32.7 million the Group incurred in connection with the Group's initial public offering (the "Global Offering") in 2014. By comparison, the Group incurred expenses of RMB0.5 million in connection with the Global Offering in 2013.

Other gains and losses

The Group recorded other losses of RMB11.0 million in 2013, consisted primarily of foreign exchange loss, loss on closure of restaurants and the impairment loss on trade receivables the Group recorded. The Group recorded other gains of RMB1.0 million in 2014, primarily due to the Group's foreign exchange gain of RMB1.0 million and the reversal of impairment loss on trade receivables of RMB2.5 million. This is partially offset by the Group's loss on closure of restaurants.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by 0.7% from RMB184.7 million in 2013 to RMB186.0 million in 2014, and as a percentage of the Group's revenue, the Group's profit before tax decreased from 9.8% in 2013 to 8.4% in 2014.

Without taking into account the expenses the Group incurred in connection with the Pre-IPO Share Incentive Plan of RMB12.1 million (2013: nil) and the Global Offering of RMB32.7 million (2013: RMB0.5 million), the Group's profit before tax would have increased by 24.7% from RMB185.2 million in 2013 to RMB230.8 million in 2014, and increased from 9.8% in 2013 to 10.5% in 2014 as a percentage of the Group's revenue.

Income tax expense

The Group's income tax expenses increased by 1.9% from RMB44.0 million in 2013 to RMB44.9 million in 2014, primarily as due to the increase in the Group's taxable income. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, remained relatively stable at 24.1% in 2014 as compared with 23.8% in 2013.

Profit for the year

As a result of the cumulative effect of the above factors, the Group's profit for the year increased by 0.3% from RMB140.7 million in 2013 to RMB141.2 million in 2014, and as a percentage of the Group's revenue, the Group's profit for the year decreased from 7.4% in 2013 to 6.4% in 2014.

Without taking into account the expenses the Group incurred in connection with the Pre-IPO Share Incentive Plan of RMB12.1 million (2013: nil) and the Global Offering of RMB32.7 million (2013: RMB0.5 million), the Group's profit for the year would have increased by 31.8% from RMB141.2 million in 2013 to RMB186.0 million in 2014, and increased from 7.5% in 2013 to 8.4% in 2014 as a percentage of the Group's revenue. For further details, please refer to the section headed "Non-IFRS Measure – (b) Adjusted net profit" below.

Non-IFRS Measure

(a) Restaurant level operating profit

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group also uses restaurant level operating profit as an additional financial measure to evaluate the Group's financial performance at the restaurant level. Restaurant level operating profit is calculated by deducting raw materials and consumables cost and restaurant level staff costs, restaurant level rental and property related expenses, restaurant level depreciation and amortization and other restaurant level expenses from the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the Group's revenue breakdown by geographical regions, each presented as a percentage of the Group's total revenue for the years indicated, as well as the geographical breakdown of the Group's restaurant level operating profit, each presented as a percentage of the Group's regional revenue for the years indicated:

	Year Ended 31 December			
	2014		2013	
	RMB'000	%	RMB'000	%
Revenue:				
Beijing	1,525,380	69.3	1,390,192	73.5
Shanghai	214,815	9.8	197,291	10.4
Tianjin	155,154	7.0	116,272	6.2
Other regions ⁽¹⁾	306,640	13.9	186,715	9.9
Total	2,201,989	100.0	1,890,470	100.0
Restaurant Level Operating Profit and Margin Performance⁽²⁾:				
Beijing	358,132	23.5	317,995	22.9
Shanghai	22,046	10.3	3,225	1.6
Tianjin	26,355	17.0	21,444	18.4
Other regions ⁽¹⁾	43,724	14.3	23,159	12.4
Total	450,257	20.4	365,823	19.4

(1) Including 26 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi and Henan Provinces.

(2) Restaurant level operating profit is an unaudited non-GAAP item. The Group has presented this non-GAAP item because the Group considers it important supplemental measures of the Group's operating performance and believe it is frequently used by analysts, investors and other interested parties in the evaluation of companies in the industry the Group operates in. The Group's management uses such non-GAAP item as an additional measurement tool for purposes of business decision-making. Other companies in the industry the Group operates in may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under IFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under IFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2014, Beijing continued to be the Group's most important geographical market both in terms of restaurant count and revenue contribution. However, as the Group successfully expanded into additional markets, the Group's revenue generated from restaurants in Beijing decreased as a percentage of the Group's total revenue from 73.5% in 2013 to 69.3% in 2014.

As a result of the Group's efforts in optimizing its menu and products combinations and controlling its procurement costs and controlling its rental expenses for the restaurants, the growth in the Group's restaurant level operating profit outpaced the growth in the Group's revenue. As a percentage of the Group's revenue, the Group's restaurant level operating profit increased from 19.4% in 2013 to 20.4% in 2014.

(b) Adjusted net profit

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group also uses adjusted net profit as an additional financial measure to evaluate the Group's financial performance without taking into account certain unusual and non-recurring items. Adjusted net profit is calculated by deducting expense related to equity-settled share-based payments from the Group's staff costs and expenses related to the listing from the Group's other expenses. The table below sets forth the reconciliation of profit for the year to adjusted net profit:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit for the year	141,193	140,710
Equity-settled share-based payments	12,125	–
Listing expenses	32,680	450
Adjusted net profit	185,998	141,160

- (1) Adjusted net profit is an unaudited non-GAAP item. The Group uses such unaudited non-IFRS adjusted net profit as an additional financial measure to supplement the consolidated financial statements which are presented in accordance with IFRS and to evaluate the financial performance of the Group by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the business of the Group. Other companies in the industry the Group operates in may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under IFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with IFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under IFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

LIQUIDITY AND CAPITAL RESOURCES

In 2014, the Group financed its operations primarily through cash from the Group's operations. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, as well as the net proceeds received from the Global Offering.

Cash and cash equivalents

As of 31 December 2014, the Group had cash and cash equivalents of RMB1,122.8 million as compared with RMB343.3 million as of 31 December 2013, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Hong Kong dollars (as to 72.2%), Renminbi (as to 27.3%) and U.S. dollars (as to 0.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Net proceeds from the Global Offering (including the partial exercise of the over-allotment option on 9 January 2015), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering which the Company received amounted to an aggregate of approximately HK\$1,043.5 million, comprising HK\$1,001.5 million raised from the Global Offering and HK\$42.0 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option. As of the date of this annual report, the net proceeds from the Global Offering had not yet been utilized and all of the net proceeds has been deposited into short-term demand deposits in the bank account maintained by the Group. In 2015, the Group will start utilizing the net proceeds from the Global Offering and for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 5 December 2014 (the "**Prospectus**").

Indebtedness

As of 31 December 2014, the Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection thereof.

Capital expenditures

The Group purchased property, plant and equipment of RMB129.2 million in 2014 in connection with new restaurant opening, of which the Group made payment for such capital expenditures of RMB126.5 million. In 2013, the Group made capital expenditure of RMB118.5 million. The Group's capital expenditure in 2014 was funded primarily by cash generated from its operating activities. In particular, after considering the Group's restaurant opening planned, the Group funded the opening of 18 restaurants that the Group planned to fund with the net proceeds from the Global Offering with its existing cash instead. In 2014, the Group opened a total of 86 new restaurants. As of 31 December 2014, the Company did not have any charge over its assets.

Contingent liabilities and guarantees

As of 31 December 2014, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

In 2014, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND STAFF COST

As of 31 December 2014, the Group had a total of 13,282 employees. In particular, 141 employees worked at the Group's food processing facilities, 998 are responsible for restaurant management and 11,576 are restaurant staff.

The Group offers competitive wages and other benefits to the Group's restaurant employees to manage employee attrition. The Group also offers discretionary performance bonus as 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 2014, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB523.6 million, representing approximately 23.8% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 33,544,707 shares (representing approximately 3.15% of the total issued share capital of the Company as at the date of this annual report) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as at 31 December 2014. The Company has also adopted a restricted share unit scheme (the "**RSU Scheme**") on 28 November 2014 which became effective upon the Listing Date. As of 31 December 2014, no restricted share unit has been granted or agreed to be granted under the RSU Scheme. Further details of the Pre-IPO Share Incentive Plan, together with the details of the options granted under such scheme, will be set out in the section headed "Report of Directors" in the Company's 2014 annual report to be issued in due course.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.047 per share (equivalent to HK\$0.059 per share), amounting to approximately a total of RMB50.0 million for the year ended 31 December 2014 (the "**2014 Final Dividend**"), representing approximately 35% of our net profit for the year ended 31 December 2014. The 2014 Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**").



BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ho Kuang-Chi (賀光啓), age 51, is the Chairman of the Board and an executive Director. He was appointed as our Director on 14 May 2008 and is primarily responsible for formulating the overall development strategies and business plans of our Group. Mr. Ho is also a director of each of the subsidiaries of our Group. Mr. Ho has over 16 years of experiences in the food and beverage industry. Mr. Ho founded our business in 1998 and continues to oversee the management of our operations and business. He established our first restaurant in Beijing in 1999 and has guided our operations and business in adhering to quality and innovation in our operations since our establishment. Mr. Ho was awarded the “Ten Significant Persons of Food and Beverages Industry in Beijing in 2012 (2012年度北京餐飲十大經濟人物)” by Beijing Cuisine Association and Beijing Business Today. Mr. Ho also serves as a director of the Eighth Session of the Board of Directors of Beijing Overseas Friendship Association and has been the Vice Chairman of the Beijing Association of Taiwanese-Invested Enterprises. Mr. Ho is the husband of Ms. Chen Su-Yin, our non-executive Director.

Ms. Yang Shuling (楊淑玲), age 53, is our chief executive officer and an executive Director. She joined Xiabu Fast Food in 1998 as an accountant and has subsequently continued to serve our Group as our finance manager, deputy general manager, executive vice president and president and has gained over 16 years of experiences in the food and beverage industry and also in operations management. Ms. Yang was appointed as a Director on 3 November 2008 and as the chief executive officer in March 2013 and is primarily responsible for overseeing the management and strategic development of our Group. Ms. Yang is also a director of each of the subsidiaries of our Group. Prior to joining our Group, Ms. Yang has served as statistics officer and accounting officer in certain Beijing enterprises. She obtained secondary technical education in finance and accounting.

Non-executive Directors

Ms. Chen Su-Yin (陳素英), age 51, is a non-executive Director. She was appointed to our Board on 12 December 2012 and is primarily responsible for providing strategic advices and guidance on the business development of our Group. Ms. Chen is also a director of each of the subsidiaries of our Group. Ms. Chen has continued to provide guidance on the range and variety of foods offered and the enhancement of the tastes and flavors of our foods and the development of our dipping sauces and our hot and spicy soup base since our establishment. Our hot and spicy soup base was awarded “Beijing Specialty Cuisine” by Beijing Cuisine Association. Ms. Chen graduated from Taipei Ching-Chwan Commercial High School in June 1981. Ms. Chen is the wife of Mr. Ho Kuang-Chi.

Mr. Wei Ke (魏可), age 41, is a non-executive Director. He was appointed to our Board on 12 December 2012 and is primarily responsible for providing strategic advice and guidance on the business development of our Group. Mr. Wei is also a director of our subsidiary in Hong Kong, Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. Mr. Wei is a Principal at General Atlantic LLC, where he has worked since 2009. Based in Beijing, he focuses on General Atlantic LLC’s investment opportunities in Greater China. Prior to joining General Atlantic LLC, Mr. Wei served as an Investment Principal at Actis, an emerging market private equity firm, from 2008 to 2009. He also worked at Boston Consulting Group from 2005 to 2008. Since August 2012, Mr. Wei has served as a non-executive director of Tenfu (Cayman) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 6868). Mr. Wei earned his Master’s degree in Business Administration from Harvard Business School in June 2005, and his Bachelor’s degree in Arts from University of Science and Technology, Beijing in July 1996.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Ms. Hsieh Lily Hui Yun (謝慧雲), age 60 is an independent non-executive Director of the Company. She was appointed to our Board on 28 November 2014. She has over 30 years of experience in the auditing and accounting in various industries, including food retailing, manufacturing and processing, public utilities and airlines. Ms. Hsieh joined YUM! China in 1996 and was the chief financial officer of YUM! China from 2000 to 2012. Before joining YUM! China, she worked with Kraft Foods (Asia Pacific) Ltd., Pillsbury Canada and China Airlines. Ms. Hsieh serves as an independent non-executive director of Dongpeng Holdings Company Limited (stock code: 3386), a company listed on the Main Board of the Stock Exchange, since November 2013 and has served as a non-executive director of Little Sheep Group Limited (stock code: 968) from November 2009 until it was delisted from the Main Board of the Stock Exchange in February 2012. Ms. Hsieh received a Master's degree in Business Administration from University of Toronto in June 1980 and the title of Certified Management Accountant (CMA) in July 1985.

Mr. Hon Ping Cho Terence (韓炳祖), age 55, is an independent non-executive Director. He was appointed to our Board on 28 November 2014. Mr. Hon joined Auto Italia Holdings Limited (Stock Code: 720), a company listed on the Main Board of the Stock Exchange in June 2013 and was appointed as the Chief Financial Officer, the Company Secretary and an authorized representative in December 2013. Mr. Hon has over 29 years of experience in accounting, treasury and financial management. Prior to joining Auto Italia Holdings Limited, Mr. Hon was appointed to various senior financial positions in a number of companies listed on the Main Board of the Stock Exchange. From December 2010 to September 2012, he was the chief financial officer and a member of executive committee of China Dongxiang (Group) Co., Ltd. (stock code: 3818), a company listed on the Main Board of the Stock Exchange. From September 2008 to December 2010, Mr. Hon was the chief financial officer of K.Wah Construction Materials Limited, a subsidiary of Galaxy Entertainment Group Limited (stock code: 27), a company listed on the Main Board of the Stock Exchange. Mr. Hon served as the group finance director from March 2006 to February 2008 and as the

group treasurer and general manager of the finance department from June 2001 to February 2006 of TOM Group Limited (stock code: 2383), a company listed on the Main Board of the Stock Exchange. From February 1996 to June 2001, he was the company secretary of Ng Fung Hong Limited, a company then listed on the Stock Exchange (former stock code: 318) and is a subsidiary of China Resources Enterprise, Limited (stock code: 291), a company listed on the Main Board of the Stock Exchange. Prior to this, Mr. Hon worked with KPMG, an international accounting firm for more than seven years since 1985. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Hon obtained his Master's degree in Business Administration (Financial Services) from The Hong Kong Polytechnic University in August 2004.

Ms. Cheung Sze Man (張詩敏), age 44, is an independent non-executive Director. She was appointed to our Board on 28 November 2014. Ms. Cheung has accumulated audit experience in an international accounting firm and has substantial experiences in corporate finance, accounting and human resource management by holding senior positions in private and public listed companies. She has also served as directors of listed companies in Hong Kong. She was an executive director of China Ocean Shipbuilding Industry Group (stock code: 651 and formerly known as Wonson International Holdings Ltd), a company listed on the Main Board of the Stock Exchange, from November 2006 to November 2007. She was an executive director of ITC Properties Group Limited (stock code: 199 and formerly known as Cheung Tai Hong), a company listed on the Main Board of the Stock Exchange, from May 2004 to May 2005. She also served as the independent non-executive director of 21 Holdings Limited (stock code: 1003), a company listed on the Main Board of the Stock Exchange, from November 2011 to April 2014. Ms. Cheung is a member of both the Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Cheung graduated from the University of Auckland in New Zealand with a Bachelor of Commerce degree and a Bachelor of Arts degree in May 1995. She also obtained a Master of Business Administration degree from the University of Bradford in the United Kingdom in July 2012.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Senior Management

Ms. Zhao Yi (趙怡), age 45, is the Chief Financial Officer of our Group. Ms. Zhao joined our Group on 12 November 2012 and is primarily responsible for the audit, accounting, financial management and IT related matters of our Group. Ms. Zhao has almost 18 years of experience in accounting and corporate finance and business management in multinational companies, such as The East Asiatic Company (China) Limited, PepsiCo Food Co., Unilever Service Co., Ltd., Sony Ericsson Group and McDonald's, where she had taken up financial analysis, budgeting, auditing and management roles. Prior to joining our Group, the major roles and positions undertaken by Ms. Zhao includes serving as the Commercial Manager of Unilever Service Co., Ltd. from October 2001 to October 2004, the Chief Operating Officer of Sony Ericsson Mobile Communications (China) Co., Ltd. mainly responsible for strategic planning and the establishment of operating system from June 2005 to February 2009 and the Financial Director of McDonald's in Northern China Region from June 2009 to October 2012. Ms. Zhao obtained a Master's degree in Business Administration in Business Management from Newport University of the United States in May 2003, and her Bachelor's degree in International Finance from China Institute of Finance (currently known as School of International Finance of the University of International Business and Economics) in July 1993.

Mr. Ying Zhongqiu (應仲秋), age 49, is the Vice President of Human Resources of our Group and is primarily responsible for the human resources and administration related matters of our Group. Mr. Ying joined our Group on 22 April 2010. Mr. Ying has over 14 years of experience in managing human resources and administration related matters in the catering services industry. Prior to joining our Group, Mr. Ying served as the human resources director of Beijing Yoshinoya Fast Food Co., Ltd. from May 2006 to

April 2010, where he was primarily responsible for human resources and administration related matters. In February 2001, Mr. Ying joined Yum! Brands, Inc., China Division, where he had served various positions, including acting as the strategic initiatives manager in human resources, until April 2006. Mr. Ying obtained a Bachelor's degree of Science from Zhejiang Normal University in July 1985 and a Graduate Diploma from the Faculty of Education at Beijing Normal University in July 1990.

Mr. Fang Liang (房梁), age 43, is the Vice President of Development and Engineering of our Group. Mr. Fang joined our Group on 5 December 2012 and is primarily responsible for the development and engineering of new stores of our Group. Mr. Fang has nearly 20 years of experience in the fast casual restaurant and catering service industry, especially in operations development. Prior to joining our Group, Mr. Fang served as a senior manager of business development at Beijing Yoshinoya Fast Food Co. Ltd, a member of Hop Hing Fast Food Group from July 2009 to December 2012. Prior to that, Mr. Fang was employed by Beijing McDonald's Food Co., Ltd as a Supervisor of the property management department between August 1996 and March 1999 and Yonghe King between April 1999 and November 2001. From December 2001 to May 2009, he worked at EC Magic (Beijing) Supermarket Co., Ltd., a company which operates the Unimart Supermarkets in Beijing and a member of the Uni-President Group in Taiwan. Mr. Fang obtained a diploma in law from the China University of Political Science and Law in July 1990 and has further upgraded his diploma into a bachelor's degree in law from the same university through distance learning in June 1995.

DIRECTORS' REPORT

The board of directors of the Company (the "**Board**") is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**"), for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activity of the Group is the operation of fast casual restaurants and providing catering services in China.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 41 to 96.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.047 per share for the year ended 31 December 2014 (the "**2014 Final Dividend**") and is subject to the approval of the Company's shareholders (the "**Shareholders**") at the forthcoming annual general meeting (the "**AGM**"), which will be held on 19 May 2015. Adopting an exchange rate of HK\$1 = RMB0.7889, the 2014 Final Dividend is equivalent to HK\$0.059 per share. The 2014 Final Dividend, if approved by the Shareholders at the AGM, will be paid on or about 18 June 2015 to those shareholders whose names appear on the register of member of the Company on 28 May 2015.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2014 are set out in the consolidated statements of changes in equity.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year are set out in Note 13 to the financial statements.

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

Details of the Company's share capital and share incentive schemes are set out in Notes 22 and 23 to the consolidated financial statements and the paragraph headed "Pre-IPO Share Incentive Plan and Restricted Share Unit Scheme" below, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 are set out in Note 29 to the consolidated financial statements.

DONATION

Donations made by the Group during the year ended 31 December 2014 amounted to RMB120,000.

FINANCIAL SUMMARY

The Company was listed on the main board of the Stock Exchange on 17 December 2014 (the "**Listing Date**"). A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 4 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save for the Company's initial public offering as described in the Company's prospectus dated 5 December 2014, 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 2014.

DIRECTORS' REPORT

PRE-IPO SHARE INCENTIVE PLAN AND RESTRICTED SHARE UNIT SCHEME

Pre-IPO Share Incentive Plan

On 28 August 2009, a pre-IPO share incentive plan (the "**Pre-IPO Share Incentive Plan**") of the Company was approved and adopted by the then shareholder.

The purpose of the Pre-IPO Share Incentive Plan is to promote the success of our Company and the interests of our shareholders by providing a means through which our Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors, consultant or advisor who renders or has rendered bona fide services to the Company, and other eligible persons (the "**Eligible Person**") and to further link the interests of the grantees or recipients of the options ("**Options**") or share awards ("**Share Awards**", together with the Options, collectively referred to as the "**Awards**").

Each Award is evidenced by an award agreement, which shall contain the terms for such Award, as well as any other terms, provisions, or restrictions that may be imposed on the Award, and in the case of Options, any shares subject to the Option, and in each case subject to the applicable provisions and limitations of the Pre-IPO Share Incentive Plan.

As at 31 December 2014, Options to subscribe for an aggregate of 33,544,707 shares (representing approximately 3.15% of the total issued shares of the Company as at the date of this annual report) have been granted by the Company and are outstanding under the Pre-IPO Share Incentive Plan. No Share Award has been granted or agreed to be granted under the Pre-IPO Share Incentive Plan since the adoption of the plan.

An Eligible Person whom an Option is granted in accordance with the terms of the Pre-IPO Share Incentive Plan and the relevant award agreement (the "**Grantee**") is not required to pay for the grant of any Option under the Pre-IPO Share Incentive Plan.

No Grantee shall be entitled to any rights, interest or benefits attached to the underlying shares of the Options granted under the Pre-IPO Share Incentive Plan unless and until the Option in respect of such shares has been vested on him/her and exercised in accordance with the terms of the Pre-IPO Share Incentive Plan.

An Option shall not be exercisable on any date unless such terms and conditions (including, without limitation, any performance criteria, passage of time or other factors or any combination thereof which the exercise of the Option shall be conditional) as set out in the relevant award agreement, if any, are satisfied and to the extent that the Option has vested.

The exercise price in respect of any Option granted under the Pre-IPO Share Incentive Plan is set forth in the relevant award agreement, and the exercise price of an Option shall be no less than the greatest of:

- (i) the par value of the shares of the Company; and
- (ii) the value as reasonably determined by the administrator,

provided that no shares newly-issued by the Company may be issued for less than the minimum lawful consideration for such shares or for consideration other than that permitted by applicable law.

An Option, once exercisable and unless the administrator otherwise expressly provides, shall remain exercisable until the expiration or earlier termination of the Option. Each Option shall expire not more than 10 years after its date of grant. No fewer than 1,000 shares may be purchased on exercise of any Option at one time unless the number of shares purchased is the total number of shares at the time available for purchase under the Option.

DIRECTORS' REPORT

All of the Options granted under the Pre-IPO Share Incentive Plan were granted in four different tranches on 31 August 2009, 17 May 2011, 24 December 2012 and 21 March 2014. As at 31 December 2014, there are altogether 46 Option holders including an executive Director and the Chief Executive Officer of the Company, the Chief Financial Officer of the Company,

and two other members of senior management of the Group and 42 other employees of the Group. Details of the Options granted under the Pre-IPO Share Incentive Plan and outstanding as at 31 December 2014 and details of the vesting period, exercise period and the exercise price are set out below:

Name of Option holder	Position held with the Group	Number of Shares represented by the Options	Date of grant	Exercise price (RMB)
Director of the Company				
Yang Shuling	Executive Director and Chief Executive Officer	1,400,000	31 August 2009	0.84
		3,564,800	17 May 2011	1.79
		4,594,994	24 December 2012	1.84
		3,437,973	21 March 2014	2.78
		12,997,767		
Senior management members of the Group				
Zhao Yi	Chief Financial Officer	2,006,629	21 March 2014	2.78
Ying Zhongqiu	Vice President of Human Resources	739,200	17 May 2011	1.79
		580,663	24 December 2012	1.84
		1,160,117	21 March 2014	2.78
		2,479,980		
Fang Liang	Vice President of Development and Engineering	1,349,678	21 March 2014	2.78

DIRECTORS' REPORT

Name of Option holder	Position held with the Group	Number of Shares represented by the Options	Date of grant	Exercise price (RMB)
42 other employees of the Group		1,311,000	31 August 2009	0.84
		2,660,946	17 May 2011	1.79
		3,506,418	24 December 2012	1.84
		7,232,289	21 March 2014	2.78
		14,710,653		
Total		2,711,000	31 August 2009	0.84
		6,964,946	17 May 2011	1.79
		8,682,075	24 December 2012	1.84
		15,186,686	21 March 2014	2.78
		33,544,707		

Details of movements in the Options under the Pre-IPO Share Incentive Plan are also set out in Note 23 to the consolidated financial statements.

The holders of the options granted under the Pre-IPO Share Incentive Plan as referred to in the table above are not required to pay for the grant of any option under the Pre-IPO Share Incentive Plan and the relevant award agreement.

Subject to the satisfactory performance of the option holders, the Options granted to each of the option holders shall be vested in accordance with vesting schedule as follows:

- (i) as to 25% of the aggregate number of shares underlying the Option on the date ending 12 months after the Listing Date;
- (ii) as to 25% of the aggregate number of shares underlying the Option on the date ending 24 months after the Listing Date;

(iii) as to 25% of the aggregate number of shares underlying the Option on the date ending 36 months after the Listing Date; and

(iv) as to the remaining 25% of the aggregate number of shares underlying the Option on the date ending 48 months after the Listing Date.

Each option granted under the Pre-IPO Share Incentive Plan has an ten-year exercise period.

During the period commencing from the Listing Date to the end of 2014, no Options have been exercised by the holders, nor have any of the Options lapsed or been cancelled.

The Pre-IPO Share Incentive Plan has expired on the Listing Date but the provisions of the Pre-IPO Share Incentive Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto. No further Awards will be granted under the Pre-IPO Share Incentive Plan after the Listing Date.

DIRECTORS' REPORT

Restricted Share Unit Scheme

On 28 November 2014, a restricted share unit scheme (the "**RSU Scheme**") of the Company was approved and adopted by the then shareholders of the Company. Such plan became effective on the Listing Date.

The purpose of the RSU Scheme is to incentivize Directors (excluding independent non-executive Directors), senior management, officers and other selected personnel of the Group ("**RSU Eligible Persons**") for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. The Board selects the RSU Eligible Persons to receive restricted share units ("**RSUs**") under the RSU Scheme at its discretion.

The RSU Scheme will be valid and effective for a period of ten years, commencing from the date of the Listing Date, being 17 December 2014 (unless it is terminated earlier in accordance with its terms) (the "**RSU Scheme Period**").

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) must not exceed 42,174,566 Shares, being 4% of the total number of Shares in issue as at the Listing Date (the "**RSU Scheme Limit**"). The RSU Scheme Limit may be refreshed from time to time subject to prior approval from the Shareholders in general meeting, provided that the total number of Shares underlying the RSUs granted following the date of approval of the refreshed limit (the "**New Approval Date**") under the limit as refreshed from time to time must not exceed 4% of the number of Shares in issue as of the relevant New Approval Date. Shares underlying the RSUs previously granted under the RSU Scheme (including RSUs that have lapsed or been canceled in accordance with the rules of the RSU Scheme) prior to such New Approval Date will not be counted for the purpose of calculating the limit as refreshed.

The Board can determine the vesting criteria and conditions, the vesting schedule, the exercise price of the RSUs (where applicable) and such other details as the Board considers necessary, and such criteria, conditions and details shall be stated in the letter granting such RSUs ("**RSU Grant Letter**"). Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board will send a vesting notice ("**Vesting Notice**") to each of the relevant participant in the RSU Scheme (the "**RSU Participants**"). The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

The Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. The Board may delegate the authority to administer the RSU Scheme to a committee of the Board. The Board may also appoint one or more independent third party contractors (including a trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme (the "**RSU Trustee**"). The Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing shares from any Shareholder or purchase existing shares (either on-market or off-market) to satisfy the RSUs upon exercise.

DIRECTORS' REPORT

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to the Company. Any exercise of RSUs must be in respect of a board lot of 500 shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, the Board may decide at its absolute discretion to:

- (a) direct and procure the RSU Trustee to, within a reasonable time, transfer the shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which the Company has allotted and issued to the RSU Trustee as fully paid up shares or which the RSU Trustee has either acquired by purchasing existing shares or by receiving existing shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or
- (b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those shares) less any exercise price (where applicable) and after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any shares to fund such payment and in relation thereto.

A RSU Participant does not have any contingent interest in any shares or rights to any income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying the RSUs unless and until such shares are actually transferred to the RSU Participant. Any shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the articles of association of the Company and will rank *pari passu* with the fully paid shares then in issue.

As at 31 December 2014, no RSU has been granted or agreed to be granted under the RSU Scheme.

DIRECTORS

The Directors of the Company during the year were:

Directors

Name	Position
Mr. Ho Kuang-Chi	Chairman of the Board and Executive Director
Ms. Yang Shuling	Chief Executive Officer and Executive Director
Ms. Chen Su-Yin	Non-executive Director
Mr. Wei Ke	Non-executive Director
Ms. Hsieh Lily Hui-yun <i>(appointed on 28 November 2014)</i>	Independent Non-executive Director
Mr. Hon Ping Cho Terence <i>(appointed on 28 November 2014)</i>	Independent Non-executive Director
Ms. Cheung Sze Man <i>(appointed on 28 November 2014)</i>	Independent Non-executive Director

Note: Mr. Leng Xuesong, a non-executive director of the Company prior to its listing, resigned as a director of the Company on 24 October 2014.

DIRECTORS' REPORT

In accordance with the articles of association of the Company, Mr. Ho Kuang-Chi, Ms. Yang Shuling, Ms. Chen Su-Yin and Mr. Wei Ke shall retire by rotation at the forthcoming annual general meeting of the Company and they being eligible, offer themselves for re-election.

None of Mr. Ho Kuang-Chi, Ms. Yang Shuling, Ms. Chen Su-Yin and Mr. Wei Ke has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

The biographical details of the Directors and senior management of the Company are set out in "Biographies of the Directors and Senior Management" in this report.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(a) Interests of Directors and Chief Executive of the Company

Name of Director/ Chief Executive	Capacity/ Nature of interest	Number of underlying Shares ⁽¹⁾	Approximate percentage of shareholding
Mr. Ho Kuang-Chi ⁽²⁾	Founder of a discretionary trust	450,000,000	42.68%
Ms. Yang Shuling ⁽³⁾	Beneficial owner	12,997,767	1.23%
Ms. Chen Su-Yin ⁽²⁾⁽⁴⁾	Interest of spouse	450,000,000	42.68%

Notes:

(1) All interests stated are long positions.

(2) The Ying Qi Trust, a discretionary trust established by Mr. Ho (as the settlor) for the benefit of Mr. Ho and with Ying Qi PTC Limited acting as the trustee, holds the entire issued shares of Ying Qi Investments Limited. Accordingly, Mr. Ho is deemed to be interested in the 450,000,000 shares held by Ying Qi Investments Limited.

(3) Ms. Yang Shuling is interested in 12,997,767 Options granted to her under the Pre-IPO Share Incentive Plan subject to vesting. Such options represent 12,997,767 underlying shares.

(4) Ms. Chen Su-Yin is the wife of Mr. Ho and is deemed to be interested in the shares which are interested by Mr. Ho under the SFO.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2014, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2014, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of Shares or securities held ⁽¹⁾	Approximate percentage of interest
Ying Qi PTC Limited ⁽²⁾	Trustee of a trust	450,000,000 (L)	42.68%
Ying Qi Investments Limited ⁽²⁾	Beneficial owner	450,000,000 (L)	42.68%
Gap (Bermuda) Limited ⁽³⁾	Interest of controlled corporation	340,754,718 (L)	32.32%
General Atlantic Genpar (Bermuda) L.P. ⁽³⁾	Interest of controlled corporation	340,754,718 (L)	32.32%
General Atlantic Partners (Bermuda) II, L.P. ⁽³⁾	Interest of controlled corporation	340,754,718 (L)	32.32%
General Atlantic Singapore Fund Interholdco Ltd. ⁽³⁾	Interest of controlled corporation	340,754,718 (L)	32.32%
General Atlantic Singapore Fund Pte. Ltd. ⁽³⁾	Beneficial owner	340,754,718 (L)	32.32%
Hillhouse Capital Management, Ltd. ⁽⁴⁾	Investment Manager	57,720,500 (L)	5.47%
Gaoling Fund, L.P. ⁽⁴⁾	Beneficial owner	55,920,000 (L)	5.30%
Credit Suisse Group AG ⁽⁵⁾	Interest of controlled corporation	53,193,000 (L) 34,065,000 (S)	5.05% 3.23%

DIRECTORS' REPORT

Notes:

- (1) The letter "L" denotes the person's long position in such Shares, while the letter "S" denotes the person's short position in such Shares.
- (2) Ying Qi PTC Limited, the trustee of the Ying Qi Trust, in its capacity as trustee holds the entire issued share capital of Ying Qi Investments Limited. The Ying Qi Trust is a discretionary trust established by Mr. Ho Kuang-Chi (as the settlor) and the beneficiary of which includes Mr. Ho Kuang-Chi. Accordingly, each of Mr. Ho and Ying Qi PTC Limited are deemed to be interested in the 450,000,000 shares held by Ying Qi Investments Limited by virtue of the SFO.
- (3) The sole shareholder of General Atlantic Singapore Fund Pte. Ltd ("GASF") is General Atlantic Singapore Fund Interholdco Ltd. ("GA Interholdco") and the controlling shareholder of GA Interholdco is General Atlantic Partners (Bermuda) II, L.P. ("GAP LP"). The general partner of GAP LP is General Atlantic Genpar (Bermuda) L.P. ("GA GenPar") and the general partner of GA GenPar is Gap (Bermuda) Limited. Accordingly, each of GA Interholdco, GAP LP, GA GenPar and Gap (Bermuda) Limited are deemed to be interested in the 340,754,718 shares held by GASF by virtue of the SFO.
- (4) Hillhouse Capital Management, Ltd. is the investment manager of, and manages, both Gaoling Fund, L.P. and YHG Investment L.P. Each of Gaoling Fund, L.P. and YHG Investment L.P. held 55,920,000 shares and 1,800,500 shares, respectively. Accordingly, Hillhouse Capital Management, Ltd. is deemed to be interested in the 55,920,000 shares held by Gaoling Fund, L.P. and 1,800,500 shares held by YHG Investment L.P. by virtue of the SFO.
- (5) Credit Suisse Group AG held interests in the Company through various of its direct and indirect controlled entities.

Save as disclosed above, as at 31 December 2014, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

As a restaurant chain, we have a large and diverse customer base. Our revenue derived from our five largest customers accounted for less than 30% of our total revenue for the year ended 31 December 2014.

During the year ended 31 December 2014, the purchases of food ingredients and other supplies from the Group's five largest suppliers accounted for 30.2% of the Group's total purchases from all suppliers for the same period. The purchases from the Group's single largest supplier for the year ended 31 December 2014 accounted for 17.0% of the Group's total purchases from all suppliers for the same period. All of our five largest suppliers are independent third parties. None of our Directors, any of their close associates or any Shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest suppliers during the year ended 31 December 2014.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company, although there are no restrictions against such rights under the laws in the Cayman Islands.

EMOLUMENT POLICY

Restaurant operations are highly service-oriented, therefore the Directors believe that the ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers and operational personnel, is critical to the success of the Group's business. The Company will continue to seek to retain and attract qualified employees, particularly restaurant staff and operational personnel, by increasing efforts in recruitment and human resources management, further its career advancement program and establish a clearly identifiable long-term career path to motivate its employees, implement a rigorous evaluation program to identify suitable candidates for promotion, offer long-term equity incentive plans and tailored compensation packages and offer training programs tailored to specific needs of our employees' career development. The Company also provides various incentives through share incentive schemes to better motivate its employees.

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 27 to the financial statements.

PUBLIC FLOAT

As at the date of this report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu who shall retire at the forthcoming annual general meeting and, being eligible, offered themselves for re-appointment.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and retained earnings totaling approximately RMB939.6 million.

BANK AND OTHER LOANS

The Group did not have any short-term or long-term bank borrowings or other loans as at 31 December 2014.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES

Save as disclosed under the section "Share Incentive Plan and Restricted Share Unit Scheme" above, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, none of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 17 December 2014, the Company's shares were listed on the Main Board of the Stock Exchange. A total of 227,100,000 ordinary shares with nominal value of US\$0.000025 each of the Company were issued at HK\$4.70 per share for a total of approximately HK\$1,067.4 million. The net proceeds raised by the Company from the abovementioned global offering is approximately HK\$1,001.5 million. As at 31 December 2014, the net proceeds from the initial public offering had not yet been utilized and all of the net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group. In addition, in preparation of remitting the net proceeds from the initial public offering into China, Mr. Ho will initiate the relevant application for an approval from the Taiwan Investment Commission before the Company increases its equity investments into its PRC subsidiaries.

Furthermore, on 9 January 2015, the joint global coordinators to the global offering partially exercised the over-allotment option granted by the Company under the global offering and pursuant to which the Company had issued and allotted an aggregate of 9,436,500 additional shares at HK\$4.70 per share for a total of approximately HK\$44.4 million. The net proceeds raised by the Company from the issue of shares pursuant to the partial exercise of the over-allotment option is approximately HK\$42.0 million. As at the date of this annual report, the net proceeds from the issue of shares pursuant to the partial exercise of the over-allotment option had not yet been utilized and

all of such net proceeds has been deposited into short-term demand deposits in a bank account maintained by the Group.

The Company will start utilizing the net proceeds from the initial public offering and for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 5 December 2014.

CONNECTED TRANSACTIONS

On 30 April 2014, Xiabuxiabu Restaurant Management Co., Ltd. ("**Xiabu Beijing**", an indirect wholly-owned subsidiary of the Company) entered into a renewed lease agreement with Xiabuxiabu Fast Food Chain Management Co., Ltd. ("**Xiabu Fast Food**", a company wholly-owned by Mr. Ho Kuang-Chi, a substantial shareholder and an executive Director of the Company, and is therefore a connected person of the Company) to lease the factory located at Suncun Industrial Development Zone, Huangcun Town, Daxing District, Beijing, PRC with a total area of 7,066.75 square meters for a term of two years commencing on 1 May 2014. The leased property is used for industrial purpose and which is utilized by Xiabu Beijing as the food processing plant and warehouse. The monthly rental under the lease agreement is RMB110,250 for the period commencing from 1 May 2014 and ending on 30 April 2015 and RMB115,000 for the period commencing from 1 May 2015 and ending on 30 April 2016, which shall constitute de minimis continuing connected transactions under Rule 14A.76(1) of the Listing Rules. The transactions contemplated under the lease agreement also constitute related party transactions of the Company under IFRS, details of which are set out in Note 28 to the financial statements.

By order of the Board
Ho Kuang-Chi
Chairman

Hong Kong, 18 March 2015

CORPORATE GOVERNANCE REPORT

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 with reference to the Corporate Governance Code and Corporate Governance Report (the “Code”) set out in Appendix 14 to the Listing Rules so as to maintain a high standard of corporate governance of the Company.

Throughout the period commencing from the Listing Date to 31 December 2014, the Company has complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

The Board is charged with promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conduct of the Company’s business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

Pursuant to code provision A.2.1 of the Code, the roles of chairman and chief executive are separate and are being performed by two different individuals. Mr. Ho Kuang-Chi is the Chairman of the Company. With extensive experience in the industry, Mr. Ho is responsible for formulating the overall development strategies and business plan of our Group and is instrumental to the Company’s growth and business expansion since its establishment in 1998. Ms. Yang Shuling is the Chief Executive Officer of the Company and is responsible for overseeing the management and strategic development of our Group.

The Board currently consists of seven Directors, namely Mr. Ho Kuang-Chi (Chairman) and Ms. Yang Shuling (Chief Executive Officer) as executive Directors, Ms. Chen Su-Yin and Mr. Wei Ke as non-executive Directors, and Ms. Hsieh Lily Hui-yun, Mr. Hon Ping Cho Terence and Ms. Cheung Sze Man as independent non-executive Directors. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Company has also adopted a board diversity policy to set out the approach adopted by the Board regarding diversity of Board members. In designing the Board’s composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director of the Company. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Mr. Ho Kuang-chi, Chairman and Executive Director of the Company, is husband of Ms. Chen Su-Yin, non-executive Director of the Company. Save as disclosed, no Board member has the relationship with the other Board members and the chief executive officer of the Company.

The biographies of the Directors are set out on pages 21 to 22 of this annual report.

Each of the executive Directors has entered into a service contract with the Company on 28 November 2014 and the Company has issued letters of appointment to each of the non-executive Directors and independent non-executive Directors. The principal particulars of these service contracts and letters of appointment are (a) for a term of 3 years commencing from 28 November 2014 and (b) are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with our articles of association of the Company and the applicable Listing Rules.

CORPORATE GOVERNANCE REPORT

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors for the year ended 31 December 2014 was approximately RMB12.3 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors for 2014 are set out in Note 11 to the consolidated financial statements. In addition, pursuant to code provision B.1.5 of the Code, the annual remuneration of members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration band	Number of senior management member
HKD 2,000,001 to HKD 2,500,000	1
HKD 3,000,001 to HKD 3,500,000	1
HKD 3,500,001 to HKD 4,000,000	1

Throughout the period commencing from the Listing Date through to 31 December 2014, the Company has three independent non-executive Directors, which meets the requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board and should not be less than three.

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers them to be independent.

Directors have access to the services of the company secretary to ensure that the Board procedures are followed. The company secretary of the Company is Ms. Ng Sau Mei. Ms. Ng Sau Mei is a manager of KCS Hong Kong Limited, and is responsible for provision of corporate secretarial and compliance services to listed company clients. Her primary corporate contact person at the Company is Ms. Zhao Yi, the Chief Financial

Officer of the Company. In compliance with Rule 3.29 of the Listing Rules, Ms. Ng Sau Mei has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2014.

Each of the Directors attended various trainings in 2014, including the training on duties and responsibilities of directors of a listed company in Hong Kong, in the process of the listing of the Company on the Stock Exchange. The Company will arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

No Board meetings, nor general meetings, were held from the Listing Date to 31 December 2014.

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members, being two independent non-executive Directors, namely Ms. Hsieh Lily Hui-yun and Mr. Hon Ping Cho Terence and one non-executive Director, namely Mr. Wei Ke. Ms. Hsieh Lily Hui-yun has been appointed as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

As the Company's shares were only listed on the Main Board of the Stock Exchange from 17 December 2014, no meeting was held by the Audit Committee from that date to 31 December 2014.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company established a Nomination Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of two independent non-executive Directors, being Ms. Hsieh Lily Hui-yun and Ms. Cheung Sze Man, and one executive Director, being Mr. Ho Kuang-Chi, who is the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendation to our Board on the appointment and removal of Directors of our Company.

As the Company's shares were only listed on the Main Board of the Stock Exchange from 17 December 2014, no meeting was held by the Nomination Committee from that date to 31 December 2014.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee has three members, being two independent non-executive Directors, namely Mr. Hon Ping Cho Terence and Ms. Cheung Sze Man, and one executive Director, namely Mr. Ho Kuang-Chi. Mr. Hon Ping Cho Terence is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

The Remuneration Committee has adopted the model described in code provision B.1.2(c)(i) of the Code in its terms of reference.

As the Company's shares were only listed on the main board of the Stock Exchange from 17 December 2014, no meeting was held by the Remuneration Committee from that date to 31 December 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the period commencing from the Listing Date to 31 December 2014.

INTERNAL CONTROL MEASURES AND OBSERVANCE OF UNDERTAKINGS RELATING TO OPENING OF RESTAURANTS

Historically, the Group had certain non-compliance in respect of the licenses and approvals of some of its restaurants and prior to the Listing, the Company had enhanced its internal control measures to reduce the risk of penalties from the PRC regulatory authorities in respect of restaurants that the Company operates in the future. Such enhanced internal control measures include, among others, (i) adopting of the Restaurant Opening Approval Policy and amending the Licenses and Permits Management Policy, (ii) compiling and maintaining a list of relevant licenses and permits that would be required for the commencement of the operation of a new restaurant, (iii) strengthening the site selection and approval procedures, (iv) streamlining the development plan and timetable for opening new restaurants to cater for time required for applying and obtaining various licenses and permits prior to opening of new restaurants, and (v) regularly carrying out compliance status review on individual restaurants and identifying, assessing and monitoring compliance risks.

During the period from the Listing Date to the date of this annual report, the Company has strictly implemented the above internal control policies and measures relating to restaurants opening and their operations, and had strictly complied with and fulfilled the relevant undertakings provided by the Company with respect to the opening of new restaurants as more particularly described in the section headed "Business

CORPORATE GOVERNANCE REPORT

– Licenses, Regulatory Approvals and Compliance Record – Fire Safety – Rectification Measures” in the Prospectus. In particular, the Group has obtained all the relevant material official licenses and permits prior to the opening and re-opening of restaurants.

EXTERNAL AUDITOR

Deloitte Touche Tohmatsu is appointed as the external auditor of the Company.

For the year ended 31 December 2014, the fees paid/payable to Deloitte Touche Tohmatsu for the audit of the financial statements of the Group are RMB4.6 million, of which RMB3.0 million represents audit fees paid/payable in relation to the audit for the initial public offering and listing of the Company.

Fees paid/payable to Deloitte Touche Tohmatsu for non-audit services provided to the Group in the year was RMB2.0 million. The non-audit services conducted include consultancy on tax issues of the Company.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 39 to 40 of this report. In preparing the financial statements for the year ended 31 December 2014, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Board has further reviewed the effectiveness of the internal control system of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls

and risk management functions. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company’s accounting and financial reporting function.

SHAREHOLDERS

The Company is incorporated in the Cayman Islands. The Board may whenever it thinks fit call general meetings. Pursuant to the articles of association of the Company, general meetings shall also be convened on the written requisition to the secretary of the Company of any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two (2) months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Enquiries about the Company may be put to the Board by contacting the Company or directly by raising the questions at an annual general meeting or extraordinary general meeting. The contact details of the Company are set out in the Company’s website (www.xiabu.com). Shareholders can also direct their enquiries about their shareholdings to the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, whose address is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

During the period from the Listing Date to the date of this annual report, there has been no change to the Company’s memorandum and articles of association. The Company’s memorandum and articles of association are available on the website of the Company (www.xiabu.com) and that of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

**TO THE MEMBERS OF
XIABUXIABU CATERING MANAGEMENT (CHINA) HOLDINGS CO., LTD.**
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 96, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affair of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	For the year ended 31 December	
		2014 RMB'000	2013 RMB'000
Revenue	5	2,201,989	1,890,470
Other income	6	11,787	13,505
Raw materials and consumables used		(871,562)	(817,548)
Staff costs		(523,595)	(399,312)
Property rentals and related expenses		(283,809)	(232,969)
Utilities expenses		(93,230)	(78,346)
Depreciation and amortization		(91,716)	(87,206)
Other expenses		(164,811)	(92,856)
Other gains and losses	7	990	(11,030)
Profit before tax	8	186,043	184,708
Income tax expense	9	(44,850)	(43,998)
Profit and total comprehensive income for the year attributable to owners of the Company		141,193	140,710
Earnings per share			
– basic (RMB cents per share)	10	16.88	17.05
– diluted (RMB cents per share)	10	16.76	17.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		As at 31 December	
	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	13	311,857	271,919
Intangible assets		2,679	4,275
Lease prepayments for land use right	14	23,544	24,078
Deferred tax assets	15	26,730	17,503
Rental deposits		39,413	31,902
		404,223	349,677
Current assets			
Inventories	16	122,545	120,154
Trade and other receivables and prepayments	17	32,600	28,202
Bank balances and cash	18	1,122,782	343,306
		1,277,927	491,662
Current liabilities			
Trade payables	19	113,822	90,471
Accrual and other payables	20	262,532	170,447
Tax payables		10,819	21,831
Deferred income	21	3,646	2,798
		390,819	285,547
Net current assets		887,108	206,115
Total assets less current liabilities		1,291,331	555,792
Non-current liability			
Deferred income	21	17,465	18,375
Net assets		1,273,866	537,417
Capital and reserves			
Share capital	22	171	136
Share premium		970,769	171,673
Reserves		302,926	365,608
Total equity		1,273,866	537,417

Ho Kuang-Chi
Director

Yang Shuling
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attribute to owners of the Company					
	Share Capital RMB'000 (Note 22)	Share premium RMB'000 (Note 33)	Share option reserve RMB'000 (Note 23)	Statutory surplus reserve RMB'000 (Note i)	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2013	134	140,371	–	20,137	204,761	365,403
Profit and total comprehensive income for the year	–	–	–	–	140,710	140,710
Issue of convertible preferred shares (Note 22)	2	31,302	–	–	–	31,304
Appropriation of statutory surplus reserve	–	–	–	8,863	(8,863)	–
Balance at 31 December 2013	136	171,673	–	29,000	336,608	537,417
Profit and total comprehensive income for the year	–	–	–	–	141,193	141,193
Issue of new shares to public (Note ii)	35	841,480	–	–	–	841,515
Costs of issue of new shares	–	(38,384)	–	–	–	(38,384)
Recognition of equity-settled share-based payments	–	–	12,125	–	–	12,125
Payments of dividends	–	(4,000)	–	–	(216,000)	(220,000)
Balance at 31 December 2014	171	970,769	12,125	29,000	261,801	1,273,866

Notes:

- (i) According to the People's Republic of China ("PRC") Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilized, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.
- (ii) On 17 December 2014, the Company issued 227,100,000 ordinary shares with par value of US\$0.000025 each at price of HK\$4.70 per share by way of international placing and public offering in Hong Kong ("New Issue").

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit before tax	186,043	184,708
Adjustments for:		
Depreciation of property, plant and equipment	88,861	84,521
Release of lease prepayments for land use right	534	534
Amortization of intangible assets	2,321	2,151
Recognition of equity-settled share-based payments	12,125	–
Interest income	(3,343)	(5,237)
Government grant released from deferred income	(910)	(910)
Foreign exchange loss (gain), net	(966)	2,068
Impairment loss recognized on trade receivables	–	4,635
Reversal of impairment loss on trade receivables	(2,455)	–
Impairment loss recognized on rental deposit	1,325	185
Loss on disposal of property, plant and equipment, net	191	379
Loss on intangible assets written off	–	859
Operating cash flows before movements in working capital	283,726	273,893
Movements in working capital		
Increase in inventories	(2,391)	(78,164)
Decrease in trade receivables	2,322	1,794
Increase in other receivables	(4,265)	(4,675)
Increase in rental deposits	(8,836)	(4,141)
Increase (decrease) in trade payables	23,351	(16,325)
Increase in other payables	84,903	33,522
Decrease in provision	–	(370)
Increase in deferred income	848	1,311
Cash generated from operations	379,658	206,845
Income taxes paid	(65,089)	(41,374)
Net cash generated from operating activities	314,569	165,471

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Cash flows from investing activities		
Interests income received	3,343	5,237
Purchase of short-term investments	(512,000)	(715,000)
Proceeds of disposal of short-term investments	512,000	715,000
Purchases of property, plant and equipment	(126,541)	(118,501)
Proceeds of government grant	–	2,450
Proceeds from disposal of property, plant and equipment	184	339
Purchase of intangible assets	(725)	(1,147)
Net cash used in investing activities	(123,739)	(111,622)
Cash flows from financing activities		
Dividend paid	(220,000)	–
Proceeds from issue of convertible preferred shares	–	31,304
Net proceeds from issue of new shares to the public	807,680	–
Net cash generated from financing activities	587,680	31,304
Net increase in cash and cash equivalents	778,510	85,153
Cash and cash equivalents at the beginning of the year	343,306	260,221
Effect of foreign exchange rate changes, net	966	(2,068)
Cash and cash equivalents at the end of the year represented by bank balances and cash	1,122,782	343,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the main board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 17 December 2014. 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 Group is principally engaged in Chinese hotspot restaurant operations in the PRC.

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

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

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

The Group has consistently applied all the IFRSs which are effective for the Group’s financial year beginning on 1 January 2014 for both current and prior years.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9	Financial Instruments ¹
IFRS 14	Regulatory Deferral Accounts ²
IFRS 15	Revenue from Contracts with Customers ³
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to IAS 1	Disclosure Initiative ⁵
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁶
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ⁴
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ⁵
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁵
Amendments to IAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ⁵

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

New and revised IFRSs in issue but not yet effective (continued)

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for first annual IFRS financial statements beginning on or after 1 January 2016
- ³ Effective for annual periods beginning on or after 1 January 2017
- ⁴ Effective for annual periods beginning on or after 1 July 2014
- ⁵ Effective for annual periods beginning on or after 1 January 2016
- ⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

Except for those as stated below, the adoption of these new and revised IFRS is not expected to have material impact on the results and the financial position of the Group.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments:

Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

New and revised IFRSs in issue but not yet effective (*continued*)

IFRS 9 Financial Instruments (*continued*)

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Directors anticipate that the application of IFRS 9 will not have significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities based on the Group’s financial instruments reported at the end of the year.

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

New and revised IFRSs in issue but not yet effective (*continued*)

IFRS 15 Revenue from Contracts with Customers (*continued*)

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

The Directors anticipate that the application of other new and revised IFRSs will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance (Cap.32).

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policy are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- (i) has power over the investee;
- (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains controls until the date when the Company ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated as cost less any identified impairment loss on the statement of financial position of the Company.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured on the following basis:

Restaurant operations and provision of catering services

Revenue is recognized when the related services have been rendered to customers.

Sales of goods that result in cash discounts or free goods ("the Discounts") for customers for next sales transaction, under the Group's coupons award scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration receivable is allocated between the goods supplied and the Discounts granted. The consideration allocated to the coupons award is measured by reference to their fair value – the amount for which the cash discount could be realised separately or which the goods designated could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction – but is deferred and recognized as revenue when the Discounts are realised and the Group's obligations have been discharged or expired.

Revenue from promotion service is recognized when these services are provided.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are recognized in profit or loss in the period in which they arise.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

The employees of the Group are members of state-managed retirement benefit schemes, the obligations of the Group under which are equivalent to those arising in a defined contribution retirement benefit plan. Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contribution.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment arrangements

Share-based payment transactions of the Company

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity. At the end of each year, the Group revises its estimate of the number of equity instrument expected to vest. The impact of the revision of the original estimate, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rental arising under operating leases are recognized as an expense in the period in which they are incurred.

Leasehold land and building

When a lease included both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. The lease payments for leasehold land that is accounted for as an operating lease is presented as "lease prepayments for land use right" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment other than construction in progress as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the year, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognized impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets representing trademark and software that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives as below:

Trademark	10 years
Software	3 years

The estimated useful life and amortization method are reviewed at the end of the year, with the effect of any changes in estimate being accounted for on a prospective basis.

Derecognition of intangible assets

An intangible asset is derecognized upon disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets

At the end of the year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the year.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the year, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading or designated as FVTPL.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- (iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excluded any dividend or interest earned on the financial assets and is included in "other gains and losses" in the profit or loss. The dividend or interest earned on the financial assets is included in "other income" in the profit or loss.

Impairment of financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of the year. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loan and receivables, objective evidence of impairment could include:

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) breach of contract, such as default or delinquency in interest or principal payments; or
- (iii) it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments(continued)

Convertible preferred shares

Convertible preferred shares issued by the Company in which the Group has no contractual obligation to redeem and the conversion option of which will be settled by the exchange of fixed number of the Company's own equity instruments are classified as equity instruments. Convertible preferred shares issued are recognized at the proceeds received, net of direct issue costs. Any excess of net proceeds over par value of issued convertible preferred shares is recorded as share premium.

Financial liabilities

The financial liabilities (including trade payables, other payables and amount due to subsidiaries) are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective basis.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the year that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of the year.

Estimated useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will accelerate the depreciation charge where the economic useful lives are shorter than previously estimated due to removal or closure of restaurants. The management will also write-off or write-down the carrying value of the items which are technically obsolete or non-strategic assets that have been abandoned. Actual economic useful lives may differ from estimated economic useful lives. Periodic review could result in a change in depreciation period and therefore depreciation charge in the future periods.

In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. When the recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As at 31 December 2014, the carrying amounts of property, plant and equipment are approximately RMB311,857,000 (2013: RMB271,919,000).

Deferred tax assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable temporary difference and taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits together with future tax planning strategies. As at 31 December 2014, the carrying amount of deferred tax assets are approximately RMB26,730,000 (2013: RMB 17,503,000). Further details are contained in Note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

5. REVENUE AND SEGMENT INFORMATION

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

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Restaurant operations	2,201,989	1,890,470

Information reported to the executive directors of the Company, who are identified as the chief operating decision maker (the "CODM") of the Group, in order to allocate resources and to assess performance, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

All of the Group's operations are located in the PRC. The Group's revenue from external customers and all of its non-current assets are located in PRC based on geographical location of assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. OTHER INCOME

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Interest income on:		
– bank deposits	1,347	1,471
– short-term investments	1,996	3,766
	3,343	5,237
Promotion service income	2,290	2,665
Government grant		
– subsidy received (Note i)	2,086	3,140
– release from deferred income (Note 21)	910	910
	2,996	4,050
Others	3,158	1,553
	11,787	13,505

Note:

- (i) The amounts represent the subsidy received from the local government for the Group's local business development. There were no unfulfilled conditions in the year in which they were recognized.

7. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Loss on disposal of property, plant and equipment, net	(191)	(379)
Loss on intangible assets written off	–	(859)
Foreign exchange gain (loss), net	966	(2,068)
Loss on closure of restaurants	(915)	(2,904)
Impairment loss on trade receivables	–	(4,635)
Reversal of impairment loss on trade receivables	2,455	–
Impairment loss on rental deposit	(1,325)	(185)
	990	(11,030)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. PROFIT BEFORE TAX

The Group's profit for the year has been arrived at after charging:

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Depreciation of property, plant and equipment	88,861	84,521
Amortization of intangible assets	2,321	2,151
Release of lease prepayments for land use right	534	534
Total depreciation and amortization	91,716	87,206
Operating lease rentals in respect of		
– rented premises (minimum lease payments)	9,297	5,435
– restaurants		
– minimum lease payments	244,071	197,297
– contingent rent (Note i)	30,441	30,237
	274,512	227,534
Total property rentals and related expenses	283,809	232,969
Directors' emoluments (Note 11)	12,273	3,661
Other staff cost		
Salaries and other allowance	468,496	354,859
Equity-settled share-based payments	6,649	–
Retirement benefit contribution	36,177	40,792
Total staff costs	523,595	399,312
Auditor's remuneration	4,580	480
Expense in relation to the listing (included in other expenses)	32,680	450

Note i: The contingent rent refers to the operating rentals based on pre-determined percentages to revenue less minimum rentals of the respective leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. INCOME TAX EXPENSE

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Enterprise income tax ("EIT")		
Current tax in the PRC	43,415	37,292
Withholding EIT-current year	10,662	9,229
Deferred tax (Note 15)	(9,227)	(2,523)
Total income tax recognized in profit or loss	44,850	43,998

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

The Company's subsidiary incorporated in Hong Kong is subject to the Hong Kong Profits Tax at 16.5% on estimated assessable profit and no taxable profit derived from Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. ("Xiabu Hong Kong") for the years ended 31 December 2014 and 2013. Under the Law of the PRC on Enterprise Income Tax ("EIT Law") effective from 1 January 2008 and Implementation Regulation of the EIT Law, the statutory EIT rate of PRC subsidiaries of the Company is 25%.

Further, in the PRC, 10% withholding income tax is generally imposed on the assessable profits earned by foreign investors from the foreign investment enterprises established in the PRC from 16 September 2008 onwards. During the year ended 31 December 2014, Xiabu Hong Kong recognized taxable royalty income determined with reference to revenue earned by the PRC subsidiary and interest income from a PRC subsidiary, and the corresponding amounts of which are deductible expenses for the PRC subsidiary. Such royalty income and the interest income are subject to withholding tax of 10% during the years ended 31 December 2014 and 2013.

Under the EIT Law, withholding tax is also imposed on dividends declared and paid to non-PRC resident in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary amounting to RMB353 million as at 31 December 2014 (2013: RMB269 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

9. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Profit before tax	186,043	184,708
Tax calculated at applicable domestic tax rates at 25%	46,511	46,177
Tax effect of different tax rate on intra-group royalty income and interest income subject to withholding tax	(15,992)	(13,844)
Tax effect of expenses not deductible for tax purposes	14,360	3,543
Tax effect of tax losses and deductible temporary differences not recognized	402	6,878
Utilisation of tax loss previously not recognised	(1,985)	–
Tax effect of deemed interest income from intra-group balances	1,554	1,244
Income tax expense	44,850	43,998

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is as following:

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Earnings		
Profit for the year attributable to owners of the Company	141,193	140,710
Less: Undistributed earnings attributable to convertible preferred shares	(61,055)	(63,977)
Earnings for the purpose of basic earnings per share	80,138	76,733
Add: Undistributed earnings attributable to convertible preferred shares	61,055	63,977
Earnings for the purpose of diluted earnings per share	141,193	140,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. EARNINGS PER SHARE (CONTINUED)

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

	For the year ended 31 December	
	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	474,837	450,000
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	3,883	N/A
Outstanding over-allotment options	1,867	N/A
Convertible preferred shares	361,760	375,196
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	842,347	825,196

The calculation of diluted earnings per share for the year ended 31 December 2013 has not considered the share options granted which were contingently issuable shares with multiple conditions that had not been met up. Details of the terms of the share options are set out in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE

The Directors' emoluments for the year are as follows:

	For the year ended 31 December 2014					Total RMB'000
	Directors' fee RMB'000	Salaries and allowances RMB'000	Performance related bonuses (Note iii) RMB'000	Retirement benefit scheme contribution RMB'000	Equity-settled share-based payments RMB'000	
Executive directors:						
Mr. Ho Kuang-Chi (賀光啓先生)	800	1,200	885	-	-	2,885
Ms. Yang Shuling (楊淑玲女士)	150	2,501	961	-	5,476	9,088
	950	3,701	1,846	-	5,476	11,973
Non-executive directors:						
Ms. Chen Su-Yin (陳素英女士)	100	-	-	-	-	100
Mr. Leng Xuesong (冷雪松先生) (Note i)	100	-	-	-	-	100
Mr. Wei Ke (魏可先生)	100	-	-	-	-	100
Ms. Hsieh Lily Hui-yun (謝慧雲女士) (Note ii)	-	-	-	-	-	-
Mr. Hon Ping Cho Terence (韓炳祖先生) (Note ii)	-	-	-	-	-	-
Ms. Cheung Sze Man (張詩敏女士) (Note ii)	-	-	-	-	-	-
	300	-	-	-	-	300
Total	1,250	3,701	1,846	-	5,476	12,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE (CONTINUED)

	For the year ended 31 December 2013					Total RMB'000
	Directors' fee RMB'000	Salaries and allowances RMB'000	Performance related bonuses (Note iii) RMB'000	Retirement benefit scheme contribution RMB'000	Equity-settled share-based payments RMB'000	
Executive directors:						
Mr. Ho Kuang-Chi (賀光啓先生)	800	–	252	–	–	1,052
Ms. Yang Shuling (楊淑玲女士)	300	1,321	688	–	–	2,309
	1,100	1,321	940	–	–	3,361
Non-executive directors:						
Ms. Chen Su-Yin (陳素英女士)	100	–	–	–	–	100
Mr. Leng Xuesong (冷雪松先生)	100	–	–	–	–	100
Mr. Wei Ke (魏可先生)	100	–	–	–	–	100
	300	–	–	–	–	300
Total	1,400	1,321	940	–	–	3,661

Note:

- (i) On 24 October 2014, Mr. Leng Xuesong resigned as the director of the Company.
- (ii) On 28 November 2014, Ms. Hsieh Lily Hui-yun, Mr. Hon Ping Cho Terence and Ms. Cheung Sze Man were appointed as the independent non-executive directors of the Company. No emolument was paid to them during the year.
- (iii) Certain executive directors and other key management personnel of the Company are entitled to bonus payments which are determined based on the Group's profit for the year.
- (iv) Ms. Yang Shuling is also the Chief Executive Officer of the Group and her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

11. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE (CONTINUED)

Of the five individuals with the highest emoluments in the Group, two were the directors of the Company for the year ended 31 December 2014 (2013: one), whose emoluments are included in the disclosures above. The emoluments of the remaining three (2013: four) individuals for the year were as follows:

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Salaries and allowance	4,264	4,766
Performance related bonuses	1,261	929
Equity-settled share-based payments	1,593	–
Contributions to retirement benefits schemes	48	37
	7,166	5,732

The number of these highest paid employees whose remuneration fell within the following band is as follows:

	For the year ended 31 December	
	2014	2013
HKD 1,000,001 to HKD 1,500,000	–	1
HKD 1,500,001 to HKD 2,000,000	–	1
HKD 2,000,001 to HKD 2,500,000	1	2
HKD 3,000,001 to HKD 3,500,000	1	–
HKD 3,500,001 to HKD 4,000,000	1	–
Total	3	4

During the years ended 31 December 2014 and 2013, no Directors waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

12. DIVIDENDS

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Dividends recognized as distributions during the year	220,000	–

On 17 January 2014, the Company declared a dividend of RMB0.1808 per ordinary share and per convertible preferred share with total dividends of RMB150,000,000 to shareholders of ordinary and convertible preferred shares for the year ended 31 December 2013. The dividend was paid in February 2014.

On 11 September 2014, the Company declared a dividend of RMB0.0846 per ordinary share and per convertible preferred share with total dividends of RMB70,000,000 to shareholders of ordinary and convertible preferred shares for the six months ended 30 June 2014. The dividend was paid in September 2014.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of RMB0.047 per share, amounting to approximately RMB50,000,000, has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming general meeting. The dividend has not been included as a liability in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold Improvement RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2013	45,902	271,971	8,868	4,374	42,176	3,387	376,678
Additions	-	-	-	219	17,494	99,441	117,154
Transfer	-	102,351	-	-	-	(102,351)	-
Disposals	-	(22,410)	(19)	(67)	(3,540)	-	(26,036)
At 31 December 2013	45,902	351,912	8,849	4,526	56,130	477	467,796
Additions	-	-	-	510	13,674	114,990	129,174
Transfer	-	104,619	-	-	-	(104,619)	-
Disposals	-	-	-	(97)	(1,228)	-	(1,325)
At 31 December 2014	45,902	456,531	8,849	4,939	68,576	10,848	595,645
ACCUMULATED DEPRECIATION							
At 1 January 2013	3,454	109,321	1,585	3,084	19,230	-	136,674
Charge for the year	2,241	69,330	849	490	11,611	-	84,521
Eliminated on disposals	-	(22,410)	(17)	(35)	(2,856)	-	(25,318)
At 31 December 2013	5,695	156,241	2,417	3,539	27,985	-	195,877
Charge for the year	2,197	74,316	824	413	11,111	-	88,861
Eliminated on disposals	-	-	-	(52)	(898)	-	(950)
At 31 December 2014	7,892	230,557	3,241	3,900	38,198	-	283,788
CARRYING AMOUNT							
At 31 December 2014	38,010	225,974	5,608	1,039	30,378	10,848	311,857
At 31 December 2013	40,207	195,671	6,432	987	28,145	477	271,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Buildings are located in the PRC on a medium-term land use right.

The above items of property, plant and equipment other than construction in progress are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis as follows:

Buildings		20 years
Leasehold improvement	Over the shorter of the lease term and estimated useful lives up to 5 years	
Machinery		10 years
Motor vehicles		4 years
Furniture and fixtures		3 - 5 years

According to the management's periodic review on the performance of the operating restaurants, the management would change the estimated useful lives of the leasehold improvement of those restaurants planned to be closed and depreciate the remaining depreciable amount of the leasehold improvement up to the date of planned closure. During the year ended 31 December 2014, the increase in depreciation charge due to the change in estimated useful lives is RMB 12,920,000 (2013: RMB 9,301,000).

14. LEASE PREPAYMENTS FOR LAND USE RIGHT

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Cost:		
At beginning and the end of the year	26,704	26,704
Accumulated amortization:		
At beginning of the year	2,092	1,558
Charge for the year	534	534
At the end of the year	2,626	2,092
Carrying amount at the end of the year	24,078	24,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

14. LEASE PREPAYMENTS FOR LAND USE RIGHT (CONTINUED)

Analyse for reporting purpose as:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Current portion included in trade and other receivables (Note 17)	534	534
Non-current portion	23,544	24,078
	24,078	24,612

The leasehold land with the land use right is held under medium-term leases with lease term of 50 years and is situated in the PRC.

15. DEFERRED TAX ASSETS

The movements of the Group's deferred tax assets during the year are as follows:

	Accrued staff costs RMB'000	Deferred income RMB'000	Allowance for doubtful debts RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	10,225	4,564	–	191	14,980
Charge (credit) to profit or loss	682	701	1,205	(65)	2,523
At 31 December 2013	10,907	5,265	1,205	126	17,503
Charge (credit) to profit or loss	9,527	(82)	(283)	65	9,227
At 31 December 2014	20,434	5,183	922	191	26,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. DEFERRED TAX ASSETS (CONTINUED)

Deferred tax assets have not been recognized in respect of the following items:

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Tax losses	56,591	64,531
Deductible temporary differences		
Accrued expenses	7,494	6,150
Deferred income	379	114
	64,464	70,795

The tax losses will be expired as follow:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
2015	–	6,646
2016	11,028	12,322
2017	18,387	18,387
2018	27,176	27,176
	56,591	64,531

No deferred tax asset has been recognized in relation to the unutilized tax losses and deductible temporary differences due to the unpredictability of future profit streams of the relevant entities and it is not probable that taxable profit will be available against which the tax losses and the deductible temporary differences can be utilized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. INVENTORIES

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Food and beverage	107,370	105,608
Other materials	11,199	10,742
Consumables	3,976	3,804
	122,545	120,154

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Trade receivables	9,122	11,444
Less: allowance for doubtful debts	(2,180)	(4,635)
	6,942	6,809
Prepaid operating expenses	20,464	16,129
Prepayments to suppliers	590	320
Current portion of lease prepayments for land use right	534	534
Other receivables	4,070	4,410
	32,600	28,202

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Generally, there was no credit period for sales from operation of restaurant, except for collection from certain shopping malls for which the credit terms provided are ranging from 60 to 180 days. The following is an aged analysis of trade receivables presented based on the invoice date:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Within 60 days	3,363	4,789
61 to 180 days	268	636
181 days to 1 year	903	1,384
Above 1 year	2,408	–
	6,942	6,809

Movement in the allowance for doubtful debts

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
At beginning of the year	4,635	–
Impairment losses recognized on trade receivables	–	4,635
Reversal of impairment losses on trade receivables	(2,455)	–
At the end of the year	2,180	4,635

Included in the allowance for doubtful debts are individually impaired trade receivables related to certain shopping malls and a dining vouchers distributor that were in dispute with the Group on the outstanding amount, and trade receivables that have been long overdue. The impairment losses recognized represent the difference between the carrying amount of these trade receivables and present value of expected cash flows. During year ended 31 December 2014, the reversal of impairment loss of RMB2,455,000 mainly due to certain shopping malls with whom the Group were in dispute have repaid partially the outstanding receivables and one of them has set off rental payable of the Group. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

17. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Aging of trade receivables that are past due but not impaired:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Overdue by:		
Less than 30 days	–	550
31 to 90 days	–	834
91 to 180 days	903	–
181 to 1 year	2,007	–
Above 1 year	401	–
	3,311	1,384

Trade receivables that were past due but not impaired related to a number of shopping malls that have a good trading record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the trade receivable from the date that credit was initially granted up to the end of each year. Trade receivable that were neither past due nor impaired at the end of the year related to customers that have a good repayment record with the Group. The Group's exposure to the concentration of credit risk is disclosed in Note 30.

18. BANK BALANCES AND CASH

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Cash and bank balances denominated in:		
– RMB	306,879	263,960
– USD	5,678	79,342
– HKD	810,225	4
	1,122,782	343,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

18. BANK BALANCES AND CASH (CONTINUED)

Bank balances carried interest at prevailing market rates which range from 0.01% to 0.35% (2013: 0.01% to 0.35%) per annum as at 31 December 2014.

The bank balances denominated in RMB were deposited with banks in the PRC and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

19. 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	
	2014 RMB'000	2013 RMB'000
Within 60 days	101,933	88,384
61 to 180 days	10,703	1,719
181 days to 1 year	207	118
Over 1 year	979	250
	113,822	90,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. ACCRUAL AND OTHER PAYABLES

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Staff cost payable	89,229	49,777
Construction fee payables	32,770	30,137
Rental payables	25,851	21,220
Deposits from suppliers	16,368	15,324
Accrued operating expenses	38,347	14,555
Other PRC tax payables	14,829	18,305
Listing expenses payable	20,231	–
Others	24,907	21,129
	262,532	170,447

21. DEFERRED INCOME

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Customer loyalty programme (i)	3,646	2,798
Government grant (ii)	17,465	18,375
	21,111	21,173
Current	3,646	2,798
Non-current	17,465	18,375
	21,111	21,173

Notes:

- (i) The deferred income which arises in respect of the Group's coupon award scheme is recognized in accordance with IFRIC 13 Customer Loyalty Programmes.
- (ii) The deferred income represents the infrastructure subsidies granted by government in the previous years. During the year ended 31 December 2014, no infrastructure government subsidies were received or receivable. The release of deferred income was RMB 910,000 for the year ended 31 December 2014(2013: RMB 910,000), over the useful lives of the relevant buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December	
	2014	2013
	USD'000	USD'000
Share capital of US\$0.000025 each	27	21
	RMB'000	RMB'000
Presented as:		
Ordinary shares	171	77
Convertible preferred shares	–	59
	171	136
	As at 31 December	
	2014	2013
	'000	'000
Number of shares:		
Fully paid ordinary shares	1,054,364	450,000
Fully paid convertible preferred shares	–	377,264
	1,054,364	827,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. SHARE CAPITAL (CONTINUED)

22.1 Ordinary shares

	Authorized shares		Issued capital	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Balance at 1 January 2013	1,634,906	279	450,000	77
Cancellation of authorized ordinary shares in exchange of newly issued convertible preferred shares (Note i)	(12,170)	(2)	-	-
Balance at 31 December 2013	1,622,736	277	450,000	77
Increase in authorised capital and conversion from convertible preferred shares (Note ii)	377,264	59	377,264	59
New issue of shares to the public (Note iii)	-	-	227,100	35
Balance at 31 December 2014	2,000,000	336	1,054,364	171

22.2 Convertible preferred shares

	Authorized shares		Issued capital	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Balance at 1 January 2013	365,094	57	365,094	57
Increase of authorized capital and issue of shares (Note i)	12,170	2	12,170	2
Balance at 31 December 2013	377,264	59	377,264	59
Conversion to ordinary shares and cancellation of authorised capital (Note ii)	(377,264)	(59)	(377,264)	(59)
Balance at 31 December 2014	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. SHARE CAPITAL (CONTINUED)

22.2 Convertible preferred shares (continued)

The convertible preferred shares, which had a par value of US\$0.000025 each, contain same voting right, right to dividend and right to share of net assets at liquidation as holders of ordinary shares except for preference at liquidation including distribution in priority with minimum return, details of which are set out in sub-note 2 below. Convertible preferred shares, in whole or in part, can be converted into ordinary shares on a one-for-one basis and are convertible at any time after the date of issuance of the shares. In accordance with the Articles of Association of the Company:

- (1) If the Company is not successful in an initial public offering and listing of ordinary shares of the Company on the Main Board of the Stock Exchange ("Qualified IPO") has not been consummated by the fifth anniversary of the date of the shareholders agreement on 23 November 2012 (the "Agreement"), the convertible preferred shares could be sold to the ordinary shareholders with a transfer price to be negotiated during the exit process. If no agreement is reached between the ordinary shareholders and preferred shareholders within an agreed period as specified in the Agreement, the convertible preferred shares could be sold to independent third parties;
- (2) Upon any liquidation, prior to any distribution or payment to the holders of any ordinary shares, the holder of the convertible preferred shares shall be entitled to receive, with respect to each convertible preferred share, an amount equal to the greater of (i) the sum of the liquidation preference amount, which is calculated based on the investment amount plus a compound annual income equivalent to 7% of such investment amount less any dividend (or other cash distribution) received, and (ii) the amount that such holder of convertible preferred shares would have been entitled to receive, with respect to such convertible preferred shares, if such convertible preferred shares had been converted into ordinary shares (the "Liquidation Payment"). After the holder of the convertible preferred shares have been paid the Liquidation Payment in full, the holder of the convertible preferred shares shall not be entitled to any further participation in any distribution of assets of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

22. SHARE CAPITAL (CONTINUED)

22.2 Convertible preferred shares (continued)

Notes:

- (i) On 8 February 2013, General Atlantic Singapore Fund Pte. Ltd. ("GASF") entered into a sales and purchase agreement with Elite Century Capital Limited ("Elite") to transfer 24,339,622 convertible preferred shares of the Company to Elite owned by GASF. On the same date, Elite entered into a share subscription agreement with the Company to subscribe for 12,169,812 convertible preferred shares. On 4 March 2013, pursuant to a special resolution passed, the Company re-designated 12,169,812 authorized but unissued ordinary shares into 12,169,812 convertible preferred shares. On the same date, a total of 12,169,812 convertible preferred shares with par value of US\$0.000025 each were issued for cash to Elite at a consideration of US\$5,000,000 (approximately equivalent to RMB31,304,000).
- (ii) Pursuant to a board meeting held on 28 November 2014, all the convertible preferred shares were converted into ordinary shares of the Company (the "Shares") on a one-for-one basis upon the listing of the shares on the Main Board of the Stock Exchange on 17 December, 2014 and that the 377,264,152 Shares resulting from the conversion have all the rights pertaining to the Shares and rank pari passu in all respects with the existing Shares in issue. In addition, the Company re-designated all 377,264,152 authorized but unissued convertible preferred shares into 377,264,152 ordinary shares on the same date.
- (iii) On 17 December 2014, 227,100,000 ordinary shares with par value of US\$0.000025 each of the Company were issued at HK\$4.70 by way of placing and public offer. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. SHARE OPTION SCHEMES

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

Share option tranche	Number of options granted	Grant date	Vesting period
Share option tranche A	4,233,000	31/08/2009	25% for each of 4 years after 12 months from the date of Qualified IPO
Share option tranche B	11,795,228	17/05/2011	25% for each of 4 years after 12 months from the date of Qualified IPO
Share option tranche C	9,670,361	24/12/2012	25% for each of 4 years after 12 months from the date of Qualified IPO
Share option tranche D			
Schedule I	3,207,461	21/03/2014	25% for each of 4 years after 24 months from the date of Qualified IPO
Schedule II	5,717,140	21/03/2014	25% for each of 4 years after 36 months from the date of Qualified IPO
Schedule III	6,664,542	21/03/2014	25% for each of 4 years after 48 months from the date of Qualified IPO

Each share option can subscribe for one ordinary share of the Company when exercise. No amounts are paid or payable upon the acceptance of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the vesting date to the expiry date as mentioned below.

The exercise price of the share option is the agreed price at the date of the grant. The expiry date is no more than ten years from the date of the grant and the options would be forfeited when the staff resigned before the expiry day.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. SHARE OPTION SCHEMES (CONTINUED)

- (1) Analysis of share options granted to the Group's employees related to the share option scheme

Share option tranches	The year ended 31 December						
	2014				2013		
	Tranche A	Tranche B	Tranche C	Tranche D	Tranche A	Tranche B	Tranche C
Share options granted to							
Directors	1,400,000	3,564,800	4,594,994	3,437,973	1,400,000	3,564,800	4,594,994
Other key management personnel	-	739,200	580,663	4,516,424	-	739,200	580,663
Other staff	1,311,000	2,660,946	3,506,418	7,232,289	1,311,000	2,667,106	3,515,355
Share options granted at the end of the year	2,711,000	6,964,946	8,682,075	15,186,686	2,711,000	6,971,106	8,691,012

- (2) The movement of share options

Share options	The year ended 31 December			
	2014		2013	
	Number of options	Weighted average exercise price RMB	Number of options	Weighted average exercise price RMB
Balance at beginning of the year	18,373,118	1.67	19,362,734	1.68
Granted during the year	15,589,143	2.78	-	-
Forfeited during the year	(417,544)	2.78	(989,616)	1.67
Balance at end of the year	33,544,707	2.17	18,373,118	1.67

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

23. SHARE OPTION SCHEMES (CONTINUED)

- (3) The range of the exercise price about the share options at the end of each year

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

- (4) The approach of determining the fair value of the share options

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumption. The inputs into the model were as follows:

Share option tranches	Tranche A	Tranche B	Tranche C	Tranche D		
				Schedule I	Schedule II	Schedule III
Fair value per share	0.82	1.86	1.81	2.60	2.60	2.60
Exercise price	0.84	1.79	1.84	2.78	2.78	2.78
Dividend yield	1.65%	1.37%	–	2%	2%	2%
Risk-free interest rate	4.16%	3.58%	1.52%	1.92%	1.99%	2.08%
Year to expiration	7.59	6.70	7.38	7.14	7.64	8.14
Expected volatility	39.9%	49.9%	60.7%	56.0%	56.0%	56.0%

The Group recognized the total expense of RMB 12,125,000 for the year ended 31 December 2014 (2013: Nil) in relation to share options granted by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. OPERATING LEASES

The Group as lessee

At the end of the year, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Minimum lease payments under operating leases		
Within one year	280,485	224,580
In the second to fifth year	734,007	637,506
After five years	218,568	143,406
	1,233,060	1,005,492

The above operating lease payments commitments represent rental payable by the Group for warehouse and premises leased for restaurants. These leases were negotiated for lease terms of one to fifteen years. Monthly rental was fixed for certain leases.

The operating lease rentals for certain restaurants are determined by applying pre-determined percentage to revenue of the respective restaurants ("Prorated Rental") or at the higher of a fixed rental and a Prorated Rental pursuant to the terms and conditions as set out in the respective rental agreements. As the future revenue of these restaurants could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease commitments have been included in the above table.

25. CAPITAL COMMITMENTS

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	19,330	24,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

26. CONTINGENT LIABILITY

The Group and the Company had no significant contingent liability at the end of the year.

27. RETIREMENT BENEFITS CONTRIBUTION

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The retirement benefit cost charged to profit or loss for the year ended 31 December 2014 amounted to RMB36,177,000 (2013: RMB40,792,000).

28. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name	Relationship
Xiabuxiabu Fast Food Chain Management Co., Ltd. ("Xiabu Fast Food")	Entity controlled by the ultimate controlling shareholder of the Company

(b) Related party transactions

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Expense on property leasing	1,302	1,240

At 31 December 2014, the commitment for future minimum lease payments under non-cancellable operating lease with Xiabu Fast Food was RMB 441,000 (2013:RMB420,000).

(c) Remuneration of key management personal of the Group

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Short term employee benefits	7,965	9,740
Performance related bonuses	3,107	2,172
Post-employment benefit	48	73
Equity-based share-based payments	7,069	–
	18,189	11,985

Further details of the Directors' emoluments are included in Note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

29. SUBSIDIARIES

During the year ended 31 December 2014, the Company has interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			31 December 2014	31 December 2013	
			%	%	
Xiabu Hong Kong (Note ii)	Hong Kong 16 May 2008	Ordinary share capital HK\$1	100	100	Investment holding
Xiabuxiabu Restaurant Management Co., Ltd.* (呷哺呷哺餐饮管理有限公司) ("Xiabu Beijing") (Note i)	The PRC 16 September 2008	Registered capital RMB55,000,000	100	100	Operating restaurant
Xiabuxiabu Restaurant Management (Shanghai) Co., Ltd.* (呷哺呷哺餐饮管理(上海)有限公司) ("Xiabu Shanghai") (Note i)	The PRC 10 June 2010	Registered capital US\$1,000,000	100	100	Operating restaurant

* The English name is for identification only. The official names of the companies are in Chinese.

Notes:

- (i) The entities are wholly owned foreign enterprises.
- (ii) Except for Xiabu Hong Kong which is directly held by the Company, both other subsidiaries are indirectly held by the Company.
- (iii) None of the subsidiaries had issued any debts securities at the end of the year.

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of the financial instruments

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Financial assets:		
Loans and receivables (Including cash and bank balances)	1,133,794	354,675
Financial liabilities:		
Amortized cost	306,810	212,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and bank balances, trade payables and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the foreign currency risk and interest rate risk, which details are described as follows:

Foreign currency risk management

The Group undertakes certain financing and operating transactions in foreign currencies, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets as at the end of the year are as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
USD	5,678	79,342
HKD	810,225	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (continued)

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuations in the US dollar and HK dollar against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the amounts below would be negative.

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Profit for the year		
USD	213	3,967
HKD	30,383	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest risk in relation to variable-rate bank balances (see Note 18), which carry prevailing market interest. The Group currently does not have a specific policy to manage their interest rate risk but will closely monitor their interest rate risk exposure in the future.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based in the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase in interest rate risk represents management's assessment of the reasonably possible change in interest rate.

If interests had been 50 basis points (2013: 50 basis points) higher/lower and all the other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would increase/decrease by RMB4,188,000 (2013: increase/decrease RMB1,265,000). This is mainly attributable to the Group's exposure to interest on its variable rate bank balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position.

The Group trades with a large number of individual customers and trading terms are mainly on cash and credit card settlement; the Group does not have significant credit risk exposure to any single individual customer. For the trade receivables due from the shopping malls, the Group monitors the credit risk on an ongoing basis and credit evaluations are performed on the shopping malls requiring credit over a certain amount. In addition, the receivable balances are also monitored on ongoing basis. Hence, the management of the Company believes that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, management of the Company considered that the credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

Liquidity risk

In management of liquidity risk, the Group's management monitors and maintains a reasonable level of cash and cash equivalents which deemed adequate by the management to finance the Group's operations and mitigate the impacts of fluctuations in cash flows. The management relies on the cash generated from operating activities as the main source of liquidity. For the year end 31 December 2014, the Group had cash generated from operating activities of approximately RMB314.6 million (2013: RMB165.5 million). The Group expects to meet its other obligations from operating cash flows.

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within one month RMB'000	Over 1 month but within 3 months RMB'000	Over 3 months but within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2014					
Financial liabilities					
Trade payables	60,829	52,993	–	113,822	113,822
Other payables	108,801	78,275	5,912	192,988	192,988
Total	169,630	131,268	5,912	306,810	306,810

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

30. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	On demand or within one month RMB'000	Over 1 month but within 3 months RMB'000	Over 3 months but within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2013					
Financial liabilities					
Trade payables	46,070	44,401	–	90,471	90,471
Other payables	78,648	36,766	6,849	122,263	122,263
Total	124,718	81,167	6,849	212,734	212,734

Fair value of financial instruments

Fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while to maximise the return to the owners of the Company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of the total equity of the Group.

The management reviews the capital structure on a quarterly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the recommendation of management, the Group will balance its overall capital structure through issue of new shares, issue of new debts as well as the redemption of existing debts.

32. SUBSEQUENT EVENTS

Subsequent to 31 December 2014, the Group had the following subsequent event:

On 9 January 2015, the Company issued an additional 9,436,500 ordinary shares with par value of US\$0.000025 each at the price of HK\$4.70 per share by means of exercise of the over-allotment option. Details are set out in the prospectus of the Company dated 5 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Non-current asset		
Investment in a subsidiary	47,107	41,106
Amounts due from a subsidiary	117,036	144,049
	164,143	185,155
Current assets		
Bank balances and cash	812,296	3,421
	812,296	3,421
Current liabilities		
Amounts due to subsidiaries	13,084	3,515
Other payables	23,537	–
	36,621	3,515
Net current liabilities	775,675	(94)
Total assets less current liabilities	939,818	185,061
Net assets	939,818	185,061
Capital and reserves		
Share capital	171	136
Share premium	970,769	171,673
Reserves (Note)	(31,122)	13,252
Total equity	939,818	185,061

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

	Attribute to owners of the Company				Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Retained earnings/ (accumulated losses) RMB'000	
Balance at 1 January 2013	134	140,371	–	13,782	154,287
Loss and total comprehensive income for the year	–	–	–	(530)	(530)
Issue of convertible preferred shares	2	31,302	–	–	31,304
Balance at 31 December 2013	136	171,673	–	13,252	185,061
New issue of shares to the public	35	841,480	–	–	841,515
Costs of issue of new shares	–	(38,384)	–	–	(38,384)
Profit and total comprehensive income for the year	–	–	–	171,626	171,626
Payment of dividends	–	(4,000)	–	(216,000)	(220,000)
Balance at 31 December 2014	171	970,769	–	(31,122)	939,818

34. APPROVAL OF FINANCIAL STATEMENT

The financial statements were approved by the board of directors and authorised for issuance on 18 March 2015.