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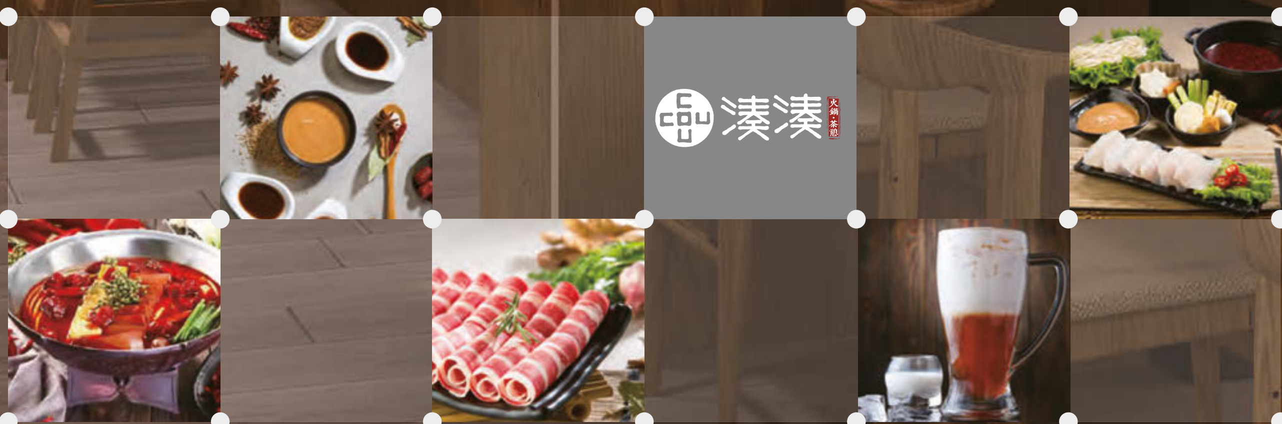
Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
呷哺呷哺餐飲管理(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 520

INTERIM REPORT 2016



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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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
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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

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Central
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Wanchai
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

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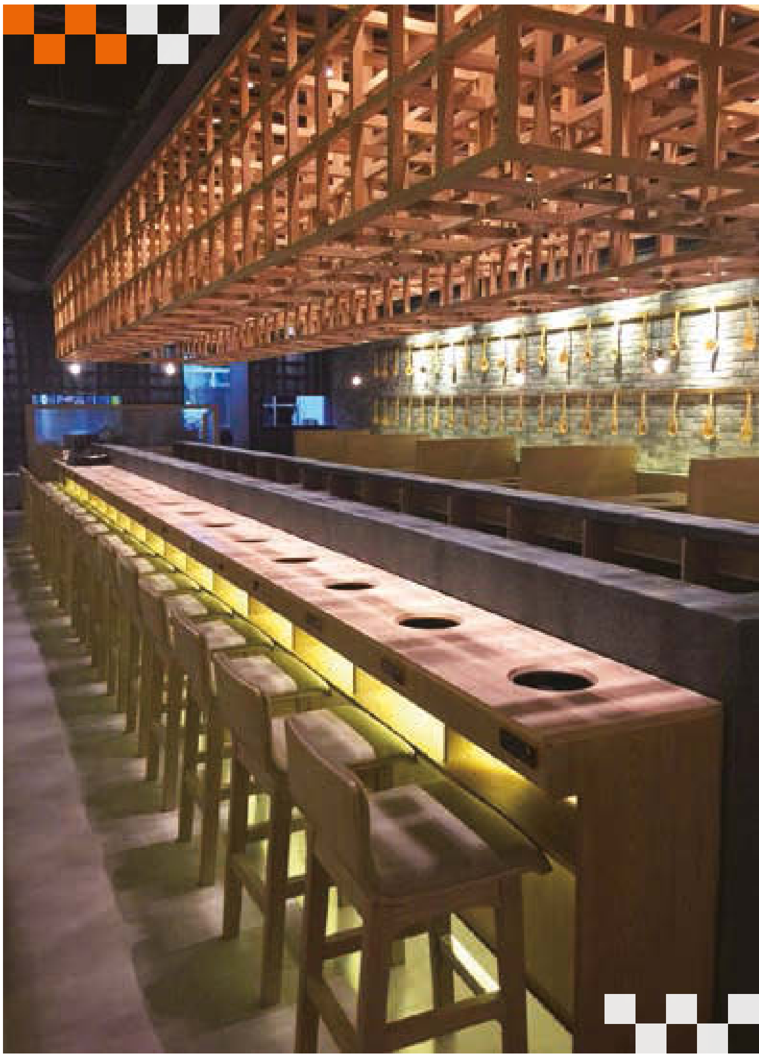

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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OfficePlus @Wan Chai
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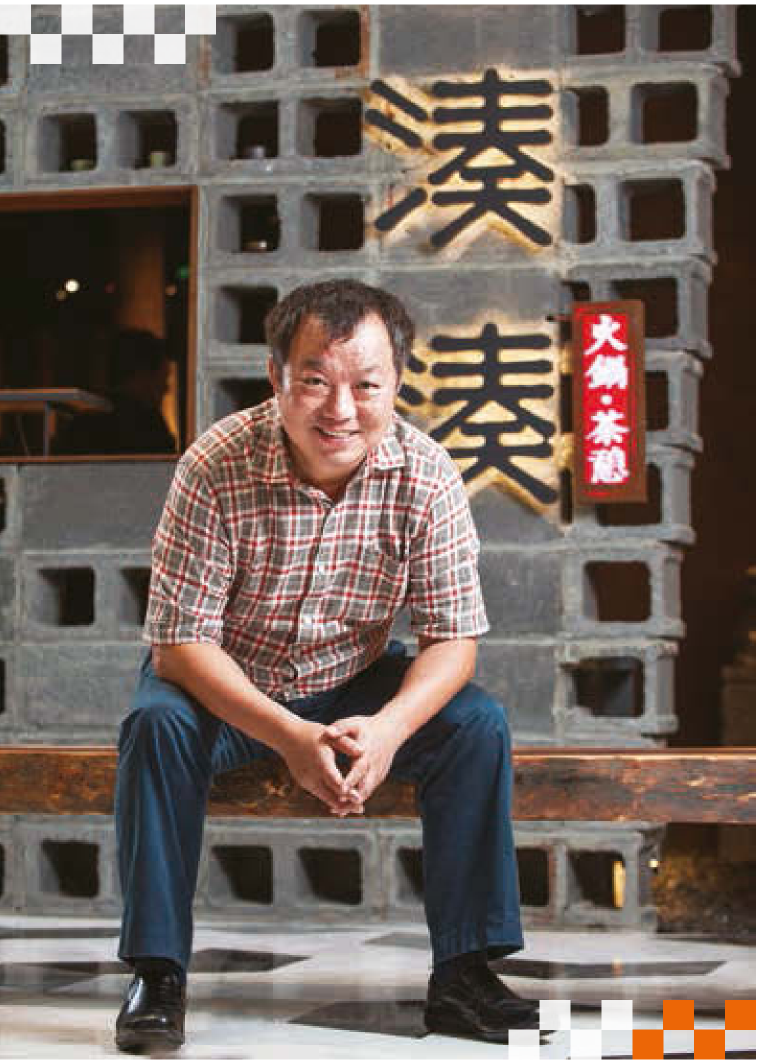
PRINCIPAL BANK

Shanghai Pudong Development Bank
China Merchants Bank

BUSINESS REVIEW AND OUTLOOK



OVERVIEW

In the first half of 2016, the Group opened a total of 18 restaurants. The Group extended its restaurant network into Inner Mongolia Autonomous Region in the first half of 2016. As of 30 June 2016, the Group owned and operated 554 restaurants in 33 cities over nine provinces and in three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China.

In response to the slowdown in economic growth in China, the Group undertook a number of initiatives to upgrade its business and enhance its financial performance, including:

- Xiabuxiabu 2.0 restaurant upgrade: the Group accelerated its exploration on the new Xiabuxiabu model. The Group selectively upgraded its existing restaurants to Xiabuxiabu 2.0 and opened new Xiabuxiabu 2.0 restaurants in prime locations. The Group developed high-quality and high-value additions to its menu to meet changing consumer tastes and regional dining preferences while maintaining the scalability of the Group's business model. As compared with the previous generation Xiabuxiabu restaurants, Xiabuxiabu 2.0 restaurants offer a more upscale yet relaxed dining atmosphere through refreshed urban restaurant design and decoration while maintaining high operational efficiency through the use of Online to Offline ("**O2O**") system. The Group believes its ongoing evolution is essential in coping with the constantly evolving consumption preferences and increasing consumption capabilities of the Group's large loyal customer base while maintaining operating efficiency and profitability. Such initiative enhances the dining experiences of customers and gives the Group a great advantage in an increasingly

competitive environment. As of 30 June, 2016, the Group operated 15 Xiabuxiabu 2.0 restaurants, and has further expanded to 53 restaurants at the date of this report featuring 10 versions of Xiabuxiabu 2.0 experiences.

- Expansion of "Xiabu Fresh": leveraging its extensive restaurant network, especially in first- and second-tier cities, the Group continued to explore its takeout and delivery services branded "Xiabu Fresh". The Group collaborates with a number of leading online and mobile meal ordering and delivery platforms, including baidu.com, meituan.com and eleme.com. As of June 30, 2016, 125 of the Group's restaurants offered takeout and delivery services. Such initiative provides the customers with an easy and fast access to Xiabuxiabu's fresh ingredients and hotpot experiences as well as fully utilizes business hours beyond rush hours during lunch and dinner time to improve operating results of the Group.

- Introduction of the "Coucou" (湊湊) brand: the Group launched a mid- to high-end casual dining brand representing a novel and trend-setting business model to meet increasing demand of the customers for a more upscale casual dining experience. The Group established the Coucou brand as a comprehensive resolution for friends, family and business get-togethers at urban commercial complexes. The Coucou restaurants feature tasty and healthy hotpot fusion cuisine of distinguishing and unforgettable flavors to the customers. At the same time, the Coucou restaurants also provide hand-shaked tea drinks originated from Taiwan at the Coucou tea stands at the entrance of Coucou restaurants. The tea drinks, which were developed based on decades of dedication and experience of the development team, artfully blend the flavors of caramel and tea. The Group believes the combination of hotpot and tea drinks will attract customers throughout its operating hours, especially during non-peak hours, to improve the utilization of restaurant infrastructures. In addition to offering tasty and healthy hotpot and tea drinks, the Coucou brand concept endeavors to cater for the cultural and social needs of the customers with unique management touch, elegant dining environment, and delicate utensil sets. The garden-like dining areas are decorated in contemporary Chinese style, to provide a modern, elegant and zen-like environment. The dining tables separated by dividers are suitable for small groups of friends, family and business diners, ensuring privacy and space efficiency. The pot resembles a carved "ding", which is an ancient Chinese cauldron and a cultural symbol. The Group also endeavors to deliver considerate and attentive service to the customers in Coucou restaurants without interrupting their leisure dining experience. As such, the Group believes that it will be able to offer an outstanding dining experience, including food, service and dining atmosphere, at Coucou restaurants that conform to the casual hotpot and tea concept, and thus command a higher premium

and customer spending. The Group opened its first Coucou restaurant in Beijing in June 2016, and since the opening, the daily long queue to get seated has aroused heated discussion.

- Farm to table initiative: the Group invited a number of customers to visit the agricultural cooperatives the Group collaborates with, which showed the customers the Group's dedication to serving fresh quality ingredients and price for value concept.

- New product offering initiatives: the Group introduced new products and rolled out relative campaigns on a quarterly basis. In the six months ended 30 June 2016, the Group introduced new menu items including "tomato soup base set menus" and "seafood set menu", the campaign for which received three times more hits than the average number of hits the campaigns for other product offerings received.

- WeChat and other O2O branding initiatives: the Group engaged interactive themed marketing promotion campaigns and utilized online and social media outlets, including WeChat and Weibo, to launch a variety of initiatives to drive customer traffic and increase customer loyalty. In particular, the Group's official WeChat account had approximately 3 million followers as of 30 June 2016.

- The Group also rolled out a number of other branding and promotional initiatives, including public welfare activities, to improve the profile and value of its brand, particularly to its target customers, and differentiate itself from its competitors.

The Group managed to grow its revenue by 12.7% from RMB1,120.7 million for the six months ended 30 June 2015 to RMB1,262.6 million for the six months ended 30 June 2016, primarily due to its effort to expand its restaurant network. Meanwhile, the Group implemented a more stringent control of its bidding processes for the procurement of food ingredients, which enables the Group to lower raw material costs, and resulted in the Group's restaurant level operating profit to increase by 24.0% from RMB205.9 million in the first half of 2015 to RMB255.4 million for the same period of 2016. As of 30 June 2016, the Group's net current assets increased to RMB1,062.5 million from RMB1,044.6 million as of 31 December 2015.

INDUSTRY REVIEW

In the first half of 2016, China's economy continued to grow with a stable yet reasonably impressive growth rate and other major indexes. In the six months ended 30 June 2016, China's GDP grew by 6.7%. China's catering service market was slowly recovering despite the slowdown in China's economic growth. In June 2016, revenue of China's catering service market amounted to RMB1,668 billion, which was 11.2% higher than the same period in 2015. The Ministry of Commerce issued Guidance Opinion on Transformation and Development of Catering Industry (《關於推動餐飲業轉型發展的指導意見》) in 2016 ("**Guidance Opinion**"). The Guidance Opinion encouraged more chain operation through which centralized procurement and standardized management can be realized. The policy aims to promote reputation of catering enterprises and advance the development of the mass catering service industry. In addition, the Guidance Opinion encouraged catering enterprises to utilize modern IT measures, including O2O dining, mobile apps for restaurants and dining, online and mobile order and delivery platforms to provide comprehensive services including online ordering, takeout and delivery services. As the Internet continues to penetrate into the catering service industry and changes consumers' consumption patterns, the relatively promising industry outlook and lower entry barrier have attracted more industry players, which in turn resulted in fiercer competition.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The Group's restaurant network

In the first half of 2016, the Group opened a total of 18 restaurants. In addition, the Group closed a total of 16 restaurants in the first half of 2016 due to commercial reasons. The table below sets forth the breakdown of the Group's system-wide restaurants by region as of the dates indicated:

	As of 30 June 2016		As of 31 December 2015	
	#	%	#	%
Beijing	**270**	**48.7**	275	49.8
Shanghai	**56**	**10.1**	58	10.5
Tianjin	**51**	**9.2**	49	8.9
Other regions[(1)]	**177**	**32.0**	170	30.8
Total	**554**	**100.0**	552	100.0

(1) Including 33 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi, Henan, Hubei, Heilongjiang Provinces and Inner Mongolia Autonomous Region.

BUSINESS REVIEW AND OUTLOOK

Key operational information for the Group's restaurants

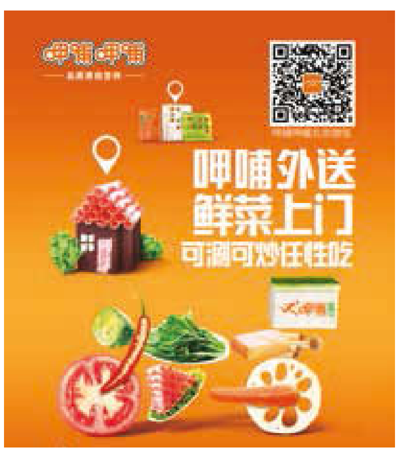
Set forth below are certain key performance indicators of the Group's system-wide restaurants by region:

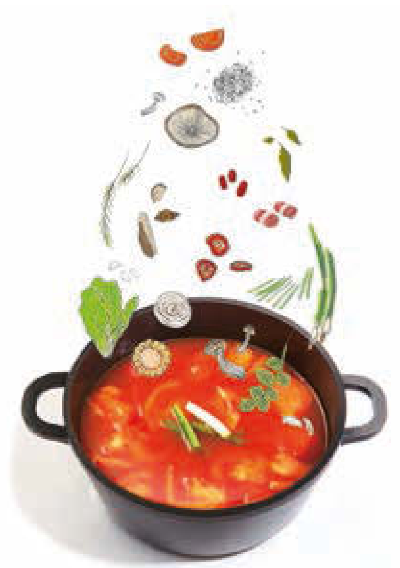
	As of or for the six months ended 30 June	
	2016	2015
Revenue (in RMB thousands)		
Beijing	**766,726**	737,177
Shanghai	**88,982**	98,019
Tianjin	**100,655**	84,338
Other regions(1)	**306,219**	201,177
Total	**1,262,582**	1,120,711
Seat turnover rate (X)(2)		
Beijing	**3.8**	3.9
Shanghai	**2.2**	2.2
Tianjin	**3.0**	2.9
Other regions(1)	**2.6**	2.7
Total	**3.2**	3.3
Average spending per customer (RMB)(3)		
Beijing	**48.1**	45.6
Shanghai	**49.8**	47.6
Tianjin	**45.5**	44.7
Other regions(1)	**45.4**	44.2
Total	**47.3**	45.4

(1) Including 33 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi, Henan, Hubei, Heilongjiang Provinces and Inner Mongolia Autonomous Region.

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

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





In the first half of 2016, 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 for the six months ended 30 June 2016. Meanwhile, in the first half of 2016, average customer spending continued to increase, primarily due to (i) a general increase in food ingredient prices in China; and (ii) the Group's effort to optimize its product combinations.

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

	For the six months ended 30 June		For the six months ended 30 June	
	2015	**2016**	2014	2015
Number of same-store (#)				
Beijing	**237**		233	
Shanghai	**51**		55	
Tianjin	**42**		32	
Other regions[1]	**106**		67	
Total	**436**		387	
Same-store sales (in RMB millions)				
Beijing	**702.0**	**717.8**	681.1	663.6
Shanghai	**87.0**	**83.9**	98.4	90.6
Tianjin	**86.4**	**90.6**	63.6	65.0
Other regions[1]	**217.9**	**208.0**	119.5	111.3
Total	**1,093.3**	**1,100.3**	962.6	930.5
Same-store sales growth (%)				
Beijing	**2.2**		(2.6)	
Shanghai	**(3.6)**		(7.9)	
Tianjin	**4.8**		2.2	
Other regions[1]	**(4.5)**		(6.9)	
Nationwide	**0.6**		(3.3)	

(1) Including 33 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi, Henan, Hubei, Heilongjiang Provinces and Inner Mongolia Autonomous Region.

In the first half of 2016, the Group's nationwide same-store sales increased by 0.6%.

OUTLOOK

Business Outlook

During the second half of 2016, the Group will continue its efforts to achieve its goal of becoming the leading operator of casual restaurant industry and maintaining its leading position as a hotpot restaurant chain operator in China. The Group intends to continue to pursue the following:

- *Additional growth drivers* – Based on its casual hotpot business the Group endeavors to develop additional growth drivers, including "Coucou" restaurants and tea stands, Xiabuxiabu 2.0 restaurant upgrade, and "Xiabu Fresh" delivery. The Group plans to continue to customize and optimize its menu to suit its new development. The Group plans to leverage the strong recognition of its Xiabuxiabu brand to further develop these additional business lines.

- *Expansion of restaurant network* – The Group will follow its five-year strategic plan to steadily expand the Group's business. The Group plans to solidify its leading position in its home market Beijing and surrounding areas, and further leverage the presence the Group established and local knowledge and intelligence the Group accumulated to further its expansion in its existing markets and surrounding areas. During the expansion, the Group will optimize its site-selection and restaurant opening procedure based on the Group's extensive knowledge and experience. The Group focuses on tailoring the taste and prices of its dishes to customers in different geographic areas.

- *Leverage technologies to enhance dining experience and operational efficiency* – The Group endeavors to further develop the WeChat platform to enable online ordering of delivery services. At the restaurants, the Group will further enhance its IT system to enable its customers to order, make reservation, queue and pay through mobile devices more conveniently. The Group also plans to utilize its customer relationship management system for targeted marketing efforts including membership reward program. In addition, the Group will also update its back-of-house system, further utilize its first-in-industry enterprise resource planning system and upgrade its business intelligence system to support its expansion and enhance its operational efficiency. The Group will also establish IT systems for Coucou in accordance with the development and needs of the Coucou business.

- *Cost control* – The Group plans to further control its procurement cost while maintaining a stringent quality standard. The Group plans to further enhance its procurement system and devise tailored cost control measures for different categories of supplies. The Group endeavors to further optimize delivery route to enhance logistics efficiency. In addition, the Group determines to optimize the development process at the central food processing plant.

- *Promote brand image and recognition* – The Group will upgrade its brand image and undertake a series of online and offline marketing initiatives to help enhance the Group's brand recognition. Marketing with a focus on customer relationship management will also further increase customer loyalty. The Group also plans to fully utilize its over 60 million customer flow and initiate joint promotion programs with renowned brands in the area of big data, in particular, with movie theaters and telecommunication service providers.

- *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 stores to take overall responsibility for daily restaurant operation and profit management of the specific store. The Group plans to enhance the management capabilities of its operational managers of its major business focuses, by adopting a management approach focused on business sectors to simplify management structure.

- *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) carry out continuous self-evaluation and enhancement on the Group's food safety and quality control standards and measures.

Industry Outlook

China's catering service industry is in dire need of transition and upgrade. As the Chinese economy pivots to a more sustainable, service-led model, the government has taken various measures to encourage the growth of the catering service industry, including the issuance of the Guidance Opinion. In addition to measures taken by the government to boost the catering service industry, the Group believes that the growing per capita disposable income and urbanization rate, changing consumer lifestyle and quicker living tempo 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:

- *Consolidation by restaurant chains* – China's catering service industry, particularly the Quick Service Restaurants ("**QSR**") industry, is likely to be more consolidated by chained restaurants with greater quality, stronger reputation and broader restaurant network.

- *Future growth driven by consumption upgrade* – As China's economy pivots from an investment-led model to a more consumption-focused one, the Group expects China's catering service market, particularly the mass catering QSR segment focusing on the mass market, will continue to experience strong growth.

- *Demand for dining convenience* – O2O dining, mobile apps for restaurants and dining, online and mobile order and delivery platforms, WeChat, customer relationship management system and other modern IT measurements to enable customers to order, make reservation, queue and pay through mobile devices or website have become the prevailing trend in China's catering service market. Restaurant operators, particularly QSR operators, are under pressure to strengthen their information system management capability.

- *Challenges* – China's catering service industry continues to face challenges including intensified competition among industry competitors, rising food costs, labor costs and rental increment.

The Group expects to further its long-standing dedication in China's catering service market and leverages on its dining concept and value proposition, brand recognition, scalable and standardized business model and commitment to the safety and quality ingredients to ride the wave of industry growth and cope with industry challenges. In particular, the Group believes its dedication on high-quality healthy cuisine, food safety and mass-market oriented position combine with its strong brand recognition will position the Group well in capitalizing the government-led development trend of healthy mass-market dining with highest food safety standard.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's consolidated statement of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the periods indicated, together with the change (expressed in percentages) from the six months ended 30 June 2015 to the six months ended 30 June 2016:

(In thousands, except for percentages and per share data)

	Six months ended 30 June				Period-to-Period Change
	2016		2015		
	RMB	**%**	RMB	%	%
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**1,262,582**	**100.0**	1,120,711	100.0	12.7
Other income	**14,885**	**1.2**	13,578	1.2	9.6
Raw materials and consumables used	**(469,016)**	**(37.1)**	(443,250)	(39.6)	5.8
Staff cost	**(298,375)**	**(23.6)**	(258,646)	(23.1)	15.4
Property rentals and related expenses	**(175,480)**	**(13.9)**	(157,361)	(14.0)	11.5
Utilities expenses	**(51,511)**	**(4.1)**	(45,870)	(4.1)	12.3
Depreciation and amortization	**(57,486)**	**(4.6)**	(44,363)	(4.0)	29.6
Other expenses	**(59,607)**	**(4.7)**	(46,751)	(4.2)	27.5
Other gains and losses	**17,466**	**1.4**	9,884	0.9	76.7
Profit before tax	**183,458**	**14.5**	147,932	13.2	24.0
Income tax	**(44,057)**	**(3.5)**	(30,383)	(2.7)	45.0
Profit for the period	**139,401**	**11.0**	117,549	10.5	18.6
Earnings per share					
Basic (RMB cents per share)	**13.09**		11.06		
Diluted (RMB cents per share)	**13.02**		10.99		

Revenue

The Group's revenue increased by 12.7% from RMB1,120.7 million for the six months ended 30 June 2015 to RMB1,262.6 million for the same period of 2016, primarily due to the increase in the number of the Group's restaurants from 499 as of 30 June 2015 to 554 as of 30 June 2016, as well as the same-store sales growth of 0.6% the Group recorded in the six months ended 30 June 2016. The Group opened 18 new restaurants throughout China in the first half of 2016 to enhance the Group's restaurant network by opening stores in more desirable locations with heavy customer traffic.

Other income

The Group's other income increased by 9.6% from RMB13.6 million for the six months ended 30 June 2015 to RMB14.9 million for the same period of 2016, primarily due to a government subsidy of approximately RMB1.1 million the Group received from the local government for the Group's local business development. There were no unfulfilled conditions in the period in which they were recognized.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 5.8% from RMB443.3 million for the six months ended 30 June 2015 to RMB469.0 million for the same period of 2016 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 39.6% in the first half of 2015 to 37.1% in the first half of 2016, primarily due to (i) the Group's continued procurement cost control efforts, in particular, the implementation of a more stringent control of bidding processes for the procurement of food ingredients; (ii) the increase in sales of premium menu items with high profit margin as the Group continued to optimize its menu, adjust products combination and launch new products; and (iii) the transition from business tax to value-added tax effective from 1 May 2016, which enables the Group to deduct certain input value added tax and lower the raw material and consumables costs.

Staff cost

The Group's staff cost increased by 15.4% from RMB258.6 million for the six months ended 30 June 2015 to RMB298.4 million for the same period of 2016, primarily due to an increase in the number of the Group's employees from 12,321 as of 30 June 2015 to 12,702 as of 30 June 2016, as well as an increase in per capita wages, which in turn was the result of an increase in the minimum hourly wage in China. As a percentage of the Group's revenue, the Group's staff cost increased from 23.1% in the first half of 2015 to 23.6% in the first half of 2016, primarily also as a result of an increase in per capita wages.

Property rentals and related expenses

The Group's property rentals and related expenses increased by 11.5% from RMB157.4 million for the six months ended 30 June 2015 to RMB175.5 million for the same period of 2016, primarily as a result of an increase in the number of the Group's restaurants. As the majority of the Group's leases are subject to fixed rent arrangement, the increase in the Group's revenue outpaced the increase in the Group's property rentals and related expenses, and the Group's property rentals and related expenses decreased from 14.0% in the first half of 2015 to 13.9% in the first half of 2016 as a percentage of the Group's revenue.

Utilities expenses

The Group's utilities expenses increased by 12.3% from RMB45.9 million for the six months ended 30 June 2015 to RMB51.5 million for the same period of 2016 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 stable at 4.1% in both the first half of 2016 and 2015.

Depreciation and amortization

The Group's depreciation and amortization increased by 29.6% from RMB44.4 million for the six months ended 30 June 2015 to RMB57.5 million for the same period of 2016, primarily as a result of 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 increased from 4.0% in the first half of 2015 to 4.6% in the first half of 2016.

Other expenses

The Group's other expenses increased by 27.5% from RMB46.8 million for the six months ended 30 June 2015 to RMB59.6 million for the same period of 2016. As a percentage of the Group's revenue, the Group's other expenses increased from 4.2% in the first half of 2015 to 4.7% in the first half of 2016. The increases in both absolute amount of the Group's other expenses and as a percentage of the Group's revenue were primarily due to (i) the increase of logistics expenses due to the increase in restaurant count; and (ii) the increase in delivery expenses due to the expansion of Xiabu Fresh.

Other gains and losses

The Group's other gains increased by 76.7% from RMB9.9 million for the six months ended 30 June 2015 to RMB17.5 million for the same period of 2016, primarily as a result of (i) the gain on disposal of short-term investments of RMB8.3 million; (ii) the foreign exchange gain of 6.3 million; (iii) the gains arising on fair value changes of short-term investments of RMB2.1 million; and (iv) the gains from interests income of available for sale investments of RMB1.3 million. Such increase was partially offset by a decrease of reversal of impairment loss on rental deposit from RMB1.5 million to RMB0.1 million. As a percentage of the Group's revenue, other gains increased from 0.9% in the first half of 2015 to 1.4% in the first half of 2016.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by 24.0% from RMB147.9 million for the six months ended 30 June 2015 to RMB183.5 million for the same period of 2016, and as a percentage of the Group's revenue, the Group's profit before tax increased from 13.2% in the first half of 2015 to 14.5% in the first half of 2016.

Without taking into account the expenses in connection with the Pre-IPO Share Incentive Plan of the Company adopted in August 2009 (the "**Pre-IPO Share Incentive Plan**") of RMB3.5 million incurred in the first half 2015, as compared to RMB2.1 million respectively incurred by the Group in the first half of 2016, the Group's profit before tax would have increased by 22.5% from RMB151.4 million in the first half of 2015 to RMB185.5 million in the first half of 2016.

Income tax expense

The Group's income tax expense increased by 45.0% from RMB30.4 million for the six months ended 30 June 2015 to RMB44.1 million for the same period of 2016, primarily as a result of the increase of taxable income. The Group's effective tax rate, calculated by dividing the Group's income tax expense by the Group's profit before tax, increased from 20.5% in the first half of 2015 to 24.0% for the same period of 2016, primarily due to a decrease in the profits generated by the Company that were not subject to EIT in China as a percentage of the Group's profit before tax from the first half of 2015 to the first half of 2016.

Profit for the period

As a result of the cumulative effect of the above factors, the Group's profit for the six months ended 30 June 2016 (the "**Reporting Period**") increased by 18.6% from RMB117.5 million for the six months ended 30 June 2015 to RMB139.4 million for the same period of 2016, and as a percentage of the Group's revenue, the Group's profit for the Reporting Period increased from 10.5% in the first half of 2015 to 11.0% for the same period of 2016.

Without taking into account the expenses in connection with the Pre-IPO Share Incentive Plan of approximately RMB3.5 million incurred in the first half 2015, as compared to RMB2.1 million respectively incurred by the Group in the first half of 2016, the Group's profit for the Reporting Period would have increased by 16.9% from RMB121.0 million for the six months ended 30 June 2015 to RMB141.5 million for the same period of 2016, and increased from 13.5% in the first half of 2015 to 14.7% in the first half of 2016 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.

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 periods 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 periods indicated:

(In thousands, except for percentages)

	Six months ended 30 June			
	2016		2015	
	RMB	**%**	RMB	%
Revenue:				
Beijing	**766,726**	**60.7**	737,177	65.8
Shanghai	**88,982**	**7.0**	98,019	8.7
Tianjin	**100,655**	**8.0**	84,338	7.5
Other regions[1]	**306,219**	**24.3**	201,177	18.0
Total	**1,262,582**	**100.0**	1,120,711	100.0

(In thousands, except for percentages)

	Six months ended 30 June			
	2016		2015	
	RMB	**%**	RMB	%
Restaurant Level Operating Profit and Margin Performance[(2)]:				
Beijing	**183,736**	**24.0**	162,353	22.0
Shanghai	**1,180**	**1.3**	2,750	2.8
Tianjin	**20,796**	**20.7**	15,603	18.5
Other regions[(1)]	**49,663**	**16.2**	25,160	12.5
Total	**255,375**	**20.2**	205,866	18.4

(1) Including 33 cities in Hebei, Liaoning, Jiangsu, Shandong, Shanxi, Henan, Hubei, Heilongjiang Provinces and Inner Mongolia Autonomous Region.

(2) Restaurant level operating profit is an unaudited non-GAAP item. The Group has presented this non-GAAP item because the Group considers it as an important supplemental measure of the Group's operating performance and believes 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 should not be considered 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.

In the first half of 2016, 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 65.8% in the first half of 2015 to 60.7% in the first half of 2016.

As a result of the Group's efforts in optimizing its menu and products combinations and controlling its procurement costs, in particular, the implementation of a more stringent control of bidding processes for the procurement of food ingredients, as well as 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 18.4% in the first half of 2015 to 20.2% in the first half of 2016.

(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 expenses related to equity-settled share-based payments from the Group's staff costs. The table below sets forth the reconciliation of profit for the period to adjusted net profit:

	(In RMB thousands) Six months ended 30 June	
	2016	2015
Profit for the period	**139,401**	117,549
Share-based compensation	**2,055**	3,480
Adjusted net profit	**141,456**	121,029

(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 should not be considered 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

For the six months ended 30 June 2016, 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 30 June 2016, the Group had cash and cash equivalents of RMB868.6 million (31 December 2015: RMB1,354.5 million), which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Hong Kong dollars (as to 14.3%), Renminbi (as to 49.4%) and U.S. dollars (as to 36.3%).

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 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. Up to 30 June 2016, RMB51.6 million of the net proceeds from the global offering been utilized to purchase bonds. The remaining net proceeds had not been utilized and had been deposited into short-term and long-term deposits in the bank account maintained by the Group. In the rest of 2016 and the upcoming years, the Group will start utilizing the net proceeds from the global offering 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**").

Short-term investments

As of 30 June 2016, the Group had short-term investments amounted to RMB432.7 million in aggregate (31 December 2015: nil). The short-term investments held during the Reporting Period represented short-term investments in financial products ("**Financial Products**") issued by Shanghai Pudong Development Bank Co., Ltd ("**SPD Bank**"), Bank of Communications Co., Ltd. and China Merchants Bank Co., Ltd. ("**CMB**"), with no pre-determined or guaranteed return and not principal protected. During the six months ended 30 June 2016, the Company subscribed for 41 Financial Products on a revolving basis. The Company subscribed for additional Financial Products when the terms of certain Financial Products previously subscribed for by the Company expired.

The Financial Products which the Company subscribed for during the six months ended 30 June 2016 were with a term of 2 to 180 days and will be matured from July to December 2016, with an expected return rate of 3.0% to 4.7% per annum. As of the date of this report, we have received the principals and the returns of the Financial Products as expected for the Financial Products the investment term of which had expired. In particular, from the end of the Reporting Period to the date of this report, the Group received the principals of RMB216.1 million with the return of approximately RMB1.9 million in aggregate and the return rates are approximately 3.7% – 4.1% per annum for the Financial Products which the Company subscribed for during the six months ended 30 June 2016. The gains arising on fair value changes of short-term investments were RMB2.1 million for the six months ended 30 June 2016, and the gains on disposal of short-term investment reached RMB8.3 million for the same period.

Given that the Group had invested in over 40 different Financial Products on a revolving basis during the six months ended 30 June 2016, the Directors consider that investments with a carrying amount that account for more than 5% of the Group's total assets as of 30 June 2016 as significant investments.

As of 30 June 2016, the short-term investments represented 10 outstanding Financial Products. Set forth below are certain key information of the Financial Products held by the Group as of 30 June 2016 and which were considered significant investments of the Group:

Bank	Product name	Principal Amount (in RMB millions)	Expected Annual Return Rate (%)	Investment Term (days)	Subscription Date	Mature Date	Market Value (in RMB millions)
CMB	Small Entrepreneur (小企業E家)	113.9	4.0	180	13 May 2016	9 November 2016	116.1
CMB	Small Entrepreneur (小企業E家)	100.6	4.1	180	14 June 2016	11 December 2016	102.6

Subsequent to the Reporting Period and to the date of this report, the Group subscribed for two Financial Products that were considered significant investments of the Group. Set forth below are certain key information of the Financial Products that were considered significant investments of the Group subscribed by the Group subsequent to the Reporting Period and to the date of this report. The Group has received the principal and the return as expected for the Financial Product issued by CMB the investment term of which had expired as set forth below.

Bank	Product name	Principal Amount (in RMB millions)	Expected Annual Return Rate (%)	Investment Term (days)	Subscription Date	Mature Date	Actual Amount Received/Market Value (in RMB millions)
CMB	Daily Profit (日日盈淬金池)	148.2	2.6	8	4 July 2016	11 July 2016	148.3
SPD Bank	Wealth Bus No. 3 (財富班車進取3號)	200.0	3.7	90	13 July 2016	10 October 2016	201.6

The underlying investments were primarily corporate and government bonds with AA rating if a rating has been obtained, deposits and other money market funds. Nonetheless, the respective individual portfolios of Financial Products consisted of various different underlying investments. Each of the banks from which the Company subscribed for Financial Products undertook in writing that the underlying investment and/or asset of each Financial Product consists different investment portfolios.

The short-term investments were made for treasury management purpose and were made in line with the cash management and investment policy of the Group, after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company had in the past selected standard short-term financial products that were principal guaranteed and/or which had relatively low associated risk. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such financial products. Although the Financial Products were marketed as wealth management products which are not principal protected nor with pre-determined or guaranteed return, the underlying investments were considered to have relatively low risk and which are also in line with the internal risk management, cash management and investment policies of the Group as the Company had totally recovered the principals and received the expected returns upon the maturity of the Financial Products during the Reporting Period. In addition, the Financial Products were with a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return.

The Directors expect the financial market in China will continue to be volatile in the second half of 2016 and such investment environment may affect the value of our investments. The Directors will continue to monitor the treasury needs of the Company and make relevant additional investment or adjustment to the investment as and when the circumstances, including market conditions, are appropriate.

Indebtedness

As of 30 June 2016, 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 made payment for the capital expenditures representing the purchase of property, plant and equipment of RMB60.1 million for the six months ended 30 June 2016 in connection with new restaurant opening and re-decoration and furnishing of existing stores. For the six months ended 30 June 2015, the Group made payment for the capital expenditure of RMB45.2 million. The Group's capital expenditure in the first half of 2016 was funded primarily by cash generated from its operating activities. In particular, after considering the Group's restaurant opening plan, the Group funded the opening of 118 restaurants that the Group planned to fund with the net proceeds from the global offering with its existing cash instead. In the first half of 2016, the Group opened a total of 18 new restaurants. As of 30 June 2016, the Company did not have any charge over its assets.

Contingent liabilities and guarantees

As of 30 June 2016, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

During the six months ended 30 June 2016, 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.

EMPLOYEE AND STAFF COST

As of 30 June 2016, the Group had a total of 12,702 employees, in which 136 employees worked at the Group's food processing facilities, 1,210 were restaurant management staff and 10,662 were restaurant operation and service 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 six months ended 30 June 2016, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB298.4 million, representing approximately 23.6% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 24,243,173 shares (representing approximately 2.3% of the total issued share capital of the Company as of 30 June 2016) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as of 30 June 2016. The Company has also adopted a restricted share unit scheme (the "**RSU Scheme**") on 28 November 2014 which became effective upon the listing date on which shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). During the six months ended 30 June 2016, Computershare Hong Kong Trustees Limited, as the trustee for the administration of the RSU Scheme (the "**RSU Trustee**"), purchased a total of 5,133,500 shares of the Company at a total cash consideration of approximately HK$16,891,000 from the market to hold on trust for benefit of the participants of the RSU Scheme pursuant to the RSU Scheme and the trust deed entered into between the Company and the RSU Trustee (the "**RSU Trust Deed**"). Such shares will be used as awards for relevant participants in the RSU Scheme as and when such restricted share units ("**RSUs**"), if any, are to be granted. As of 30 June 2016, no RSU has been granted or agreed to be granted under the RSU Scheme.

OTHER INFORMATION

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

As of 30 June 2016, the interests and short positions of the directors of the Company (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[5]
Mr. Ho Kuang-Chi[2]	Founder of a discretionary trust	450,000,000	42.24%
Ms. Yang Shuling[3]	Beneficial owner	12,997,767	1.22%
Ms. Chen Su-Yin[2][4]	Interest of spouse	450,000,000	42.24%

Notes:

(1) All interests stated are long positions.

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

(3) Ms. Yang Shuling is interested in 350,000 shares and options representing 12,647,767 underlying shares granted to her under the Pre-IPO Share Incentive Plan subject to vesting.

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

(5) As of 30 June 2016, the Company had 1,065,395,438 issued shares.

Save as disclosed above, as of 30 June 2016, 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 of 30 June 2016, 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[(5)]
Ying Qi PTC Limited[(2)]	Trustee of a trust	450,000,000 (L)	42.24%
Ying Qi Investments Limited[(2)]	Beneficial owner	450,000,000 (L)	42.24%
Gap (Bermuda) Limited[(3)]	Interest of controlled corporation	340,754,718 (L)	31.98%
General Atlantic Genpar (Bermuda) L.P.[(3)]	Interest of controlled corporation	340,754,718 (L)	31.98%
General Atlantic Partners (Bermuda) II, L.P.[(3)]	Interest of controlled corporation	340,754,718 (L)	31.98%
General Atlantic Singapore Fund Interholdco Ltd.[(3)]	Interest of controlled corporation	340,754,718 (L)	31.98%
General Atlantic Singapore Fund Pte. Ltd.[(3)]	Beneficial owner	340,754,718 (L)	31.98%
Hillhouse Capital Management, Ltd.[(4)]	Investment Manager	57,720,500 (L)	5.42%
Gaoling Fund, L.P.[(4)]	Beneficial owner	55,920,000 (L)	5.25%

Notes:

(1) The letter "L" denotes the person's long 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 Kuang-Chi and Ying Qi PTC Limited is 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 is 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) As of 30 June 2016, the Company had 1,065,395,438 issued shares.

(6) Pursuant to Section 336 of the SFO, the shareholders are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Company changes, it is not necessary for the shareholder to notify the Company and the Stock Exchange unless several criteria have been fulfilled, therefore a shareholder's latest shareholding in the Company may be different from the shareholding filed with the Company and the Stock Exchange.

Save as disclosed above, as of 30 June 2016, our Directors or chief executive of the Company are not aware of any other person, not being a Director or chief executive of the 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.

PRE-IPO SHARE INCENTIVE PLAN AND RESTRICTED SHARE UNIT SCHEME

Pre-IPO Share Incentive Plan

On 28 August 2009, the Pre-IPO Share Incentive Plan was approved and adopted by the then shareholders of the Company. The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of our shareholders by providing a means through which the 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**"). No further Options or Awards can be granted under the Pre-IPO Share Incentive Plan after the listing of the Company on 17 December 2014 (the "**Listing Date**"). However, all Options granted under the Pre-IPO Share Incentive Plan are exercisable over a ten-year period from the date of grant. Therefore, given the last batch of Options under the Pre-IPO Share Incentive Plan were granted on 21 March 2014, the remaining life of the Pre-IPO Share Incentive Plan as of 30 June 2016 in respect of outstanding options is approximately seven years and nine months. Further details of the principal terms of the Pre-IPO Share Incentive Plan are set out in the Prospectus and the 2015 Annual Report of the Company.

As of 30 June 2016, Options to subscribe for an aggregate of 24,243,173 shares (representing approximately 2.28% of the total issued share capital of the Company as at the date of this 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. There is no maximum entitlement for each Eligible Person under the rules of the Pre-IPO Share Incentive Plan although no Eligible Person under the rules of the Pre-IPO Share Incentive Plan has been granted Options exceeding 1.3% of the issued share capital of the Company. During the six months ended 30 June 2016, 1,209,986 Options have been exercised by the holders, 5,340,461 Options have lapsed and no Options have been cancelled.

Details of the movements in Options during the six months ended 30 June 2016 under the Pre-IPO Share Incentive Plan are set out below:

Name of Option holder	Position held with the Group	Number of shares represented by Options at 1 January 2016	Date of grant	Exercise price (RMB)	Exercised during the period	Weighted average closing price of shares immediately before the dates on which the options were exercised (HK$)	Lapsed during the period	Number of shares represented by Options at 30 June 2016
Director of the Company								
Yang Shuling	Executive Director and Chief Executive Officer	1,400,000	31 August 2009	0.84	350,000	4.32	–	1,050,000
		3,564,800	17 May 2011	1.79	–	–	–	3,564,800
		4,594,994	24 December 2012	1.84	–	–	–	4,594,994
		3,437,973	21 March 2014	2.78	–	–	–	3,437,973
		12,997,767			–		–	**12,647,767**
Senior management members of the Company								
Zhao Yi	Chief Financial Officer	**2,006,629**	21 March 2014	2.78	–	–	–	**2,006,629**
Ying Zhongqiu[(1)]	Vice President of Human Resources	554,400	17 May 2011	1.79	–	–	554,400	–
		580,663	24 December 2012	1.84	145,165	5.20	435,498	–
		1,160,117	21 March 2014	2.78	–	–	1,160,117	–
		2,295,180			**145,165**		**2,150,015**	–
Fang Liang[(2)]	Vice President of Development and Engineering	**1,349,678**	21 March 2014	2.78	–	–	1,349,678	–
Other employees of the Group								
27 other employees of the Group		1,111,000	31 August 2009	0.84	112,500	4.16	–	998,500
		2,158,906	17 May 2011	1.79	45,634	4.50	73,920	2,039,352
		3,142,637	24 December 2012	1.84	556,687	4.54	163,715	2,422,235
		5,731,823	21 March 2014	2.78	–	–	1,603,133	4,128,690
		12,144,366			**714,821**		**1,840,768**	**9,588,777**
Total		2,511,000	31 August 2009	0.84	462,500	4.28	–	2,048,500
		6,278,106	17 May 2011	1.79	45,634	4.50	628,320	5,604,152
		8,318,294	24 December 2012	1.84	701,852	4.67	599,213	7,017,229
		13,686,220	21 March 2014	2.78	–	–	4,112,928	9,573,292
		30,793,620			**1,209,986**		**5,340,461**	**24,243,173**

Notes:

(1) Mr. Ying Zhongqiu has resigned as a Vice President of Human Resources of the Company with effect from 6 April 2016.

(2) Mr. Fang Liang has resigned as a Vice President of Development and Engineering of the Company with effect from 22 April 2016.

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 a ten-year exercise period.

Restricted Share Unit Scheme

On 28 November 2014, the RSU Scheme 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 RSUs under the RSU Scheme at its discretion. The RSU Scheme will be valid and effective for a period of ten years from the Listing Date. As of 30 June 2016, the remaining life of the RSU Scheme is approximately eight years and six months. 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 4% of the total number of Shares in issue as at the Listing Date. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme. Further details of the principal terms of the RSU Scheme are set out in the Prospectus and the 2015 Annual Report of the Company.

Computershare Hong Kong Trustees Limited has been appointed as the RSU Trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme. The RSU Trustee is a third party independent of and not connected with the Company and any of its connected persons. The RSU Trustee will administer the RSU Scheme in accordance with the rules of the RSU Scheme and the RSU Trust Deed. Pursuant to the rules of the RSU Scheme, the Company may (i) allot and issue shares of the Company (the "**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 of the Company or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as the Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. Based on a resolution duly passed by the Board, it was resolved that a sum of up to HK$200,000,000 would be provided to the RSU Trustee for the purchase of the Shares on market pursuant to the RSU Scheme. During the six months ended 30 June 2016, the RSU Trustee purchased a total of 5,133,500 Shares at a total cash consideration of approximately HK$16,891,000 from the market to hold on trust for benefit of the participants of the RSU Scheme pursuant to the RSU Scheme and the RSU Trust Deed. As of the date of this report, the 5,133,500 Shares remains to be held by the RSU Trustee.

As of 30 June 2016, no RSU has been granted or agreed to be granted under the RSU Scheme.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2016.

For details of the Shares purchased by the RSU Trustee for the purpose of the RSU Scheme during the Reporting Period, please refer to the section headed "Pre-IPO Share Incentive Plan and Restricted Share Unit Scheme-Restricted Share Unit Scheme" above.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board declared an interim dividend of RMB0.052 per share, amounting to approximately a total of RMB55.8 million, for the six months ended 30 June 2016 (the "**2016 Interim Dividend**"), representing approximately 40% of the net profit of the Group for the six months ended 30 June 2016. Adopting an exchange rate of HK$1=RMB0.8547, the 2016 Interim Dividend is equivalent to approximately HK$0.061 per share. Based on the directors' current outlook for the Company's financial performance in the second half of the year and overall financial position, the planned dividend payout ratio for the full year of 2016 is 40% of the net profit of the Group for the year. The planned dividend payout ratio will be subject to the full year financial performance and business plan of the Company and market outlook early next year, therefore a final dividend for the full year of 2016 may or may not be paid.

The register of members of the Company will be closed from 9 September 2016 to 13 September 2016 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2016 Interim Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4: 30 p.m. on 8 September 2016 for registration. The 2016 Interim Dividend will be paid on 21 September 2016 to those shareholders whose names appear on the register of members of the Company on 13 September 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2016, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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

MODEL CODE FOR SECURITIES TRANSACTIONS 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 six months ended 30 June 2016.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this report, the Audit Committee comprises two independent non-executive Directors, namely Ms. Hsieh Lily Hui-yun and Mr. Hon Ping Cho Terence and a non-executive Director, namely Mr. Wei Ke. Ms. Hsieh Lily Hui-yun is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the unaudited interim results for the six months ended 30 June 2016.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the 2015 annual report of the Company.

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. In addition, on 9 January 2015, the Company issued an additional 9,436,500 ordinary shares with nominal value of US$0.000025 each of the Company pursuant to the partial exercise of the over-allotment option under the Global Offering at HK$4.70 per share for a total of approximately HK$44.4 million. The net proceeds raised by the Company from the Global Offering (including the partial exercise of the over-allotment option on 9 January 2015), after deducting the underwriting commission and other 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.

Up to 30 June 2016, RMB51.6 million of the net proceeds from the global offering had been utilized to purchase bonds. The remaining net proceeds had not been utilized and had been deposited into short-term and long-term deposits in the bank account maintained by the Group. In the rest of 2016 and the upcoming years, the Group will start utilizing the net proceeds from the global offering for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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

INTRODUCTION

We have reviewed the condensed 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 29 to 46, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

25 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June **2016** **RMB'000** **(Unaudited)**	 2015 RMB'000 (Unaudited)
Revenue	3	**1,262,582**	1,120,711
Other income	4	**14,885**	13,578
Raw materials and consumables used		**(469,016)**	(443,250)
Staff costs		**(298,375)**	(258,646)
Property rentals and related expenses		**(175,480)**	(157,361)
Utilities expenses		**(51,511)**	(45,870)
Depreciation and amortization		**(57,486)**	(44,363)
Other expenses		**(59,607)**	(46,751)
Other gains and losses	5	**17,466**	9,884
Profit before tax	6	**183,458**	147,932
Income tax expense	7	**(44,057)**	(30,383)
Profit and total comprehensive income for the period attributable to owners of the Company		**139,401**	117,549
Earnings per share			
– basic (RMB cents per share)	9	**13.09**	11.06
– diluted (RMB cents per share)	9	**13.02**	10.99

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**As at 30 June 2016 RMB'000 (Unaudited)**	As at 31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**319,184**	333,709
Intangible assets		**821**	984
Lease prepayments for land use right		**22,743**	23,010
Available-for-sale investments	11	**51,609**	–
Deferred tax assets	12	**61,900**	47,729
Rental deposits		**49,043**	46,982
		505,300	452,414
Current assets			
Inventories	13	**82,024**	103,869
Trade and other receivables and prepayments	14	**86,838**	53,351
Short-term investments	15	**432,721**	–
Bank balances and cash		**868,600**	1,354,497
		1,470,183	1,511,717
Current liabilities			
Trade payables	16	**131,915**	148,985
Accrual and other payables		**234,843**	278,283
Tax payables		**39,723**	34,381
Provision		**1,106**	1,106
Deferred income		**115**	4,338
		407,702	467,093
Net current assets		**1,062,481**	1,044,624
Total assets less current liabilities		**1,567,781**	1,497,038
Non-current liabilities			
Deferred income		**16,100**	16,555
Net assets		**1,551,681**	1,480,483
Capital and reserves			
Share capital	18	**172**	172
Share premium		**1,007,638**	1,005,193
Reserves		**543,871**	475,118
Total equity		**1,551,681**	1,480,483

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attribute to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Statutory surplus reserve RMB'000	Treasury share reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2016 (Audited)	**172**	**1,005,193**	**17,741**	**29,078**	**–**	**428,299**	**1,480,483**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**139,401**	**139,401**
Recognition of equity-settled share-based payments	**–**	**–**	**2,055**	**–**	**–**	**–**	**2,055**
Effect of forfeited share option during the period	**–**	**–**	**(2,703)**	**–**	**–**	**2,703**	**–**
Exercise of issued share option	**–**	**2,458**	**(719)**	**–**	**–**	**–**	**1,739**
Payments of dividends	**–**	**–**	**–**	**–**	**–**	**(57,720)**	**(57,720)**
Appropriation of statutory surplus reserve	**–**	**–**	**–**	**42**	**–**	**(42)**	**–**
Purchase of treasury share under restricted share unit scheme (note)	**–**	**–**	**–**	**–**	**(14,277)**	**–**	**(14,277)**
Balance at 30 June 2016 (Unaudited)	**172**	**1,007,651**	**16,374**	**29,120**	**(14,277)**	**512,641**	**1,551,681**
Balance at 1 January 2015 (Audited)	171	970,769	12,125	29,000	–	261,801	1,273,866
Profit and total comprehensive income for the period	–	–	–	–	–	117,549	117,549
Recognition of equity-settled share-based payments	–	–	3,480	–	–	–	3,480
Issue of new shares by exercise of over-allotment options	1	35,011	–	–	–	–	35,012
Issue cost of new shares by exercise of over-allotment options	–	(1,230)	–	–	–	–	(1,230)
Payments of dividends	–	–	–	–	–	(49,520)	(49,520)
Balance at 30 June 2015 (Unaudited)	172	1,004,550	15,605	29,000	–	329,830	1,379,157

Note:

During the six months ended 30 June 2016, the Company acquired its existing shares of 5,133,500 from the market with consideration of HK$16,891,000 (equivalent to approximately RMB14,277,000) for the restricted share unit scheme (the "RSU Scheme") approved on 28 November 2014 by the board of directors of the Company. Further details are disclosed in Note 17.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**108,670**	121,603
Cash flows from investing activities		
Interest income received	**15,011**	3,233
Purchase of short-term investments	**(2,831,400)**	(1,063,000)
Proceeds from disposal of short-term investments	**2,409,104**	817,358
Purchase of available-for-sale investments	**(51,609)**	–
Purchases of property, plant and equipment	**(60,138)**	(45,171)
Proceeds from disposal of property, plant and equipment and intangible assets	**31**	317
Purchase of intangible assets	**(188)**	(242)
Net cash used in investing activities	**(519,189)**	(287,505)
Cash flow from financing activities		
Dividend paid	**(57,720)**	(49,520)
Net proceeds from issue of new shares to the public	**–**	33,782
Cash from exercise of share option	**1,739**	–
Payment for repurchase of ordinary shares	**(14,277)**	–
Amounts prepaid to the RUS Trustee for purchase of ordinary shares (Note 17)	**(11,186)**	–
Net cash used in financing activities	**(81,444)**	(15,738)
Net decrease in cash and cash equivalents	**(491,963)**	(181,640)
Cash and cash equivalents at the beginning of the period	**1,354,497**	1,122,782
Effect of foreign exchange rate changes, net	**6,066**	4,216
Cash and cash equivalents at the end of the period represented by bank balances and cash	**868,600**	945,358

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 14 May 2008. The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman Islands KY1-1111. The Company is an investment holding company and the Group is principally engaged in Chinese hotpot restaurant operations in the People's Republic of China ("PRC").

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

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

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

Available-for-sale (AFS) Financial Assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

Treasury shares

When an entity reacquires its own shares, those shares (known as treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of an entity's own equity instruments.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRS") that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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 six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Restaurant operations	**1,262,582**	1,120,711

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.

4. OTHER INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	**10,056**	10,695
Promotion service income	**1,067**	880
Government grant		
– subsidy received (Note)	**1,070**	–
– release from deferred income	**455**	455
	1,525	455
Others	**2,237**	1,548
	14,885	13,578

Note:

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

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses on disposal of property, plant and equipment, net	**(105)**	(225)
Losses on disposal of intangible assets	**–**	(13)
Foreign exchange gain, net	**6,271**	4,216
Loss on closure of restaurants	**(547)**	(437)
Reversal of impairment loss on trade receivables	**–**	474
Reversal of impairment loss on rental deposits	**115**	1,511
Gains on disposal of short-term investments	**8,304**	4,358
Gains arising on fair value changes of short-term investments	**2,121**	–
Gains from interests income of available-for-sale investments	**1,307**	–
	17,466	9,884

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**56,868**	42,789
Amortization of intangible assets	**351**	1,307
Release of lease prepayments for land use right	**267**	267
Total depreciation and amortization	**57,486**	44,363
Operating lease rentals in respect of		
– rented premises (minimum lease payments)	**5,592**	4,399
– restaurants		
– minimum lease payments	**156,021**	139,207
– contingent rent*	**13,867**	13,755
	169,888	152,962
Total property rentals and related expenses	**175,480**	157,361
Directors' emoluments	**2,952**	3,214
Other staff cost		
Salaries and other allowance	**271,934**	232,044
Equity-settled share-based payments	**1,060**	2,168
Retirement benefit contribution	**22,429**	21,220
Total staff cost	**298,375**	258,646

* The contingent rent refers to the operating rentals based on the pre-determined percentages to revenue less minimum rentals of the respective lease.

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Enterprise income tax ("EIT")		
Current tax in the PRC	**49,229**	17,340
Withholding EIT-current period	**5,788**	5,462
Under provision in prior years	**3,211**	–
Deferred tax	**(14,171)**	7,581
Total income tax recognized in profit or loss	**44,057**	30,383

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

The Company's subsidiary in Hong Kong is subject to the Hong Kong Profits Tax at 16.5% on estimated assessable profit for both periods.

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% during the both periods.

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. Xiabuxiabu Catering Management (HK) Holdings Co., Ltd recognized taxable royalty income determined with reference to revenue earned by the PRC subsidiary and interest income from a PRC subsidiary, and such royalty income and the interest income are subject to withholding tax of 10%.

8. DIVIDEND

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognized as distributions during the period	**57,720**	49,520

On 18 March 2015, the Company declared a dividend of RMB0.047 per share with total dividends of RMB49,520,000 to shareholders for the year ended 31 December 2014. The dividend was paid in June 2015.

8. DIVIDEND *(CONTINUED)*

On 29 March 2016, the Company declared a dividend of RMB0.054 per share with total dividends of RMB57,720,000 to shareholders for the year ended 31 December 2015. The dividend was paid in June 2016.

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 30 June 2016 of RMB0.052 per share (equivalent to HKD0.061 per share), amounting to approximately RMB55,760,000 has been proposed by the Directors. The dividend has not been included as a liability in these condensed consolidated financial statements.

9. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of calculating basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**139,401**	117,549

The weighted average number of ordinary shares for the purpose of calculating 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 six months ended 30 June	
	2016	2015
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**1,064,673**	1,063,123
Share options issued by the Company	**5,978**	6,776
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**1,070,651**	1,069,899

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, additions to the property, plant and equipment amounted to RMB42,479,000 (six months ended 30 June 2015: RMB61,962,000) consisting of leasehold improvement, machinery, motor vehicles, furniture and fixtures and construction in progress.

11. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investments comprise:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Listed investments:		
Debentures listed in HKEX (Note)	**51,609**	–

Note:

The listed debentures, amounting to RMB49,734,000 and RMB1,875,000 with fixed interest rate of 6.375% and 5.5% per annum respectively, will be matured on 26 September 2017 and 5 June 2018 respectively and are measured at fair value.

12. DEFERRED TAX ASSETS

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

	Deferred income RMB'000	**Allowance for doubtful debts RMB'000**	**Accrued expense not paid RMB'000**	**Others RMB'000**	**Total RMB'000**
At 1 January 2016 (Audited)	**5,098**	**669**	**41,938**	**24**	**47,729**
Credit (charge) to profit or loss	**(1,073)**	**(36)**	**15,280**	**–**	**14,171**
At 30 June 2016 (Unaudited)	**4,025**	**633**	**57,218**	**24**	**61,900**

13. INVENTORIES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Food and beverage	66,343	84,043
Other materials	9,499	14,842
Consumables	6,182	4,984
	82,024	103,869

14. TRADE AND OTHER RECEIVABLES

The following is an analysis of trade receivables at the end of respective reporting periods:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade receivables	28,587	21,113
Less: allowance for doubtful debts	(1,706)	(1,706)
	26,881	19,407
Prepaid operating expenses	21,474	21,970
Prepayments to suppliers	–	17
Current portion of lease prepayments for land use right	534	534
Interest receivable	3,567	7,215
Amounts prepaid to the RSU Trustee for purchase of ordinary shares (Note 17)	11,186	–
Prepaid value-added tax	7,363	–
Other receivables	15,833	4,208
	86,838	53,351

14. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Generally, there was no credit period for sales from operation of restaurant, except for collection from certain shopping malls. The following is an aged analysis of trade receivables presented based on the invoice date:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 60 days	**26,527**	17,906
61 to 180 days	**10**	561
181 days to 1 year	**34**	–
Above 1 year	**–**	940
Above 2 years	**310**	–
	26,881	19,407

15. SHORT-TERM INVESTMENTS

As at 30 June 2016, the Group's short-term investments amounted to RMB433 million in aggregate represent the investments in financial products issued by the banks with no predetermined or guaranteed return and not principal protected. The investment has been designated at fair value through profit or loss. The short-term investments as at 30 June 2016 will be matured from July to December 2016.

There were no significant changes in the counterparties' credit risk and therefore there were no significant gains or losses attributed to changes in credit risk for these financial assets designated at fair value through profit or loss during the six months ended 30 June 2015 and 2016.

16. 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 this period, based on the goods received date, is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Within 60 days	**128,815**	142,941
61 to 180 days	**1,975**	5,144
181 to 1 year	**231**	117
Over 1 year	**894**	783
	131,915	148,985

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

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

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

During the six months ended 30 June 2016, the RSU Trustee has purchased an aggregate of 5,133,500 Shares with consideration of HK$16,891,000 (equivalent to approximately RMB14,277,000) from the market. The shares will be held on trust for the benefit of the RSU Participants pursuant to the RSU Scheme and the trust deed. The Shares so purchased will be used as awards for relevant participants in the RSU Scheme (the "RSU Participants").

As at 30 June 2016, amounts about RMB11,186,000 were held by the RSU Trustee to purchase ordinary share from the market in the forthcoming period according to the instruction of the Company.

As at 30 June 2016, no RSU has been granted or agreed to be granted to any RSU Participant under the RSU Scheme. The Board will constantly review and determine at its absolute discretion such number of RSUs to be awarded to the RSU Participants under the RSU Scheme with such vesting conditions as the Board may deem appropriate.

During the period ended 30 June 2016, the Company purchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$'000
January	2,992,500	2.78	2.75	8,311
June	2,141,000	4.00	3.93	8,580

18. SHARE CAPITAL

Issued and fully paid-up:

	As at 30 June 2016 USD'000 (Unaudited)	As at 31 December 2015 USD'000 (Audited)
Share capital of USD0.000025 each	**27**	27

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Represented as:		
Ordinary shares	**172**	172

	As at 30 June 2016 '000 (Unaudited)	As at 31 December 2015 '000 (Audited)
Number of shares:		
Fully paid ordinary shares	**1,065,396**	1,064,186

Ordinary shares

	Authorized shares		Issued capital	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Balance at 1 January 2016 (Audited)	2,000,000	336	1,064,186	172
Exercise of issued share option	–	–	1,210	–
Balance at 30 June 2016 (Unaudited)	2,000,000	336	1,065,396	172

19. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Minimum lease payments under operating leases:		
Within one year	**311,225**	300,686
In the second to fifth year	**809,381**	793,394
Over five years	**192,595**	214,979
	1,313,201	1,309,059

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.

20. CAPITAL COMMITMENTS

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**5,338**	5,429

21. 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 transaction

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Expense on property leasing	**690**	671

c. Remuneration of key management personnel of The Group

	For the six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**2,251**	2,602
Post-employment benefit	**22**	25
Equity-based share-based payments	**1,236**	1,992
	3,509	4,619

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurements are categorized 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table gives information about how the fair values of short-term investment and AFS investments of the Group are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2016	31 December 2015				
The short-term investment	**Assets 432,721**	–	Level 3	Generally accepted pricing models based on discounted cash flow analysis. Future cash flows are estimated based on expected interest rates.	Expected interest rates	The higher of the interest rate, the higher the fair value
Available-for-sale investment	**Assets 51,609**	–	Level 1	Quoted bid price in an active market.	N/A	N/A

23. SUBSEQUENT EVENT

Subsequent to the end of the reporting period, the Directors proposed the dividend in respect of the six months ended 30 June 2016 and details are set out in Note 8.