呷哺呷哺

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 520

Interim Report 2017

MIX
Paper from responsible sources
FSC™ C008061
FSC www.fsc.org
PRINTED WITH SOY INK™

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Chen Su-Yin
Mr. Zhang Chi (Ms. Chang Le as his alternate)
(appointed with effect from 23 August 2017)
Mr. Wei Ke (resigned with effect from 23 August 2017)

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. Zhang Chi (appointed with effect from 23 August 2017)
Mr. Wei Ke (resigned with effect from 23 August 2017)
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
88 Queensway
Hong Kong

COMPANY'S WEBSITE

www.xiabu.com

STOCK CODE

520

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Suncun Industrial Development Zone
Huangcun Town
Daxing District
Beijing
PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE IN CAYMAN ISLANDS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

Bank of Communications
China Merchants Bank
Shanghai Pudong Development Bank

BUSINESS OVERVIEW AND OUTLOOK

OVERVIEW

In the first half of 2017, the Group opened 33 Xiabuxiabu restaurants and four Coucou restaurants. The Group extended its restaurant network into Shenzhen in the first half of 2017. As of 30 June 2017, the Group owned and operated 650 Xiabuxiabu restaurants in 64 cities over 13 provinces and in three centrally administered municipalities, namely in Beijing, Tianjin and Shanghai, in China. The Group also owned six Coucou restaurants in Beijing and Shenzhen as of the same date.

In the first half of 2017, the Group undertook a number of initiatives to upgrade its business model 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 introduced new 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 Xiabuxiabu 1.0 restaurants, Xiabuxiabu 2.0 restaurants offer a more upscale yet casual dining ambient through a refreshed 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 experience of customers and gives the Group a great advantage in an increasingly competitive environment. As of 30 June 2017, the Group operated 191 Xiabuxiabu 2.0 restaurants, and has expanded to 211 restaurants at the date of this report in cities including Beijing, Shanghai, Shenyang, Wuhan and Shijiazhuang, featuring four versions of Xiabuxiabu 2.0 experiences.

- Expansion of the "Coucou" (湊湊) brand: the Group continued to develop Coucou, a mid- to high-end casual dining brand representing a novel and trend-setting business model to target relatively affluent customers who prefer a more refined and sophisticated dining experience. The Group established the Coucou brand as an alternative solution for friends, family and business gatherings at high-end commercial complexes. The Coucou restaurants feature tasty and exquisite hotpot fusion with hand-shaked tea drinks providing a

distinctive and unforgettable dining experience to our customers. The Coucou brand concept endeavors to cater for the cultural and social needs of the customers interested in a unique and 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 copper pot resembles a carved "ding", which is an ancient Chinese cauldron and a cultural symbol. As such, the Group believes that it will be able to offer an outstanding dining experience, quality food, attentive service and upscale dining atmosphere at Coucou restaurants.

- Expansion of "Xiabu Fresh" (呷哺小鮮): leveraging on its extensive restaurant network, especially in first- and second-tier cities, the Group continued to explore new business opportunities in its takeout and delivery services branded "Xiabu Fresh". The Group collaborated with a number of leading online and mobile meal ordering and delivery platforms, including baidu.com, meituan.com and eleme.com. As of 30 June 2017, 177 of the Group's restaurants offered takeout and delivery services. In particular, the Group introduced "Xiazhuxiatang" (呷煮呷燙), a freshly made ready-to-eat meal solution offered in the take-out and delivery services in May 2017. The cuisine features fresh and quality ingredients boiled in signature soup bases in various flavors accompanied with

dipping sauces based on the proprietary recipes of the Group. As of the date of this report, the Group offers Xiazhuxiatang deliveries for 31 Xiabuxiabu restaurants in Beijing and eight restaurants in Shanghai. 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.

- 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 2017, the Group introduced various new menu items and optimized its product mix in response to the ever changing market conditions. In addition, the Group introduced premium menu items specially catered for Xiabuxiabu restaurants in Shanghai to suit the Group's new brand positioning of Xiabuxiabu restaurants in Shanghai.

- 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 5 million followers as of 30 June 2017.

- 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 24.8% from RMB1,262.6 million for the six months ended 30 June 2016 to RMB1,575.7 million for the six months ended 30 June 2017, primarily due to its effort to expand its restaurant network. Meanwhile, in addition to the Group's continued procurement cost control methods, the Group benefited from the transition from business tax to value-added tax, which enables the Group to lower raw material costs, and resulted in the restaurant level operating profit generated from Xiabuxiabu restaurants increased by 50.0% from RMB255.4 million in the first half of 2016 to RMB383.2 million for the same period of 2017. As of 30 June 2017, the Group's net current assets increased to RMB1,166.9 million from RMB1,137.1 million as of 31 December 2016.

INDUSTRY REVIEW

In the first half of 2017, 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 2017, China's GDP grew by 6.9%. The increasingly consumption-driven economy in China drove the development of the catering service industry, especially the catering service segment focusing on the mass market. Hotpot restaurant chains and other casual dining restaurant chains enjoyed significant growth in revenue in 2016, according to the China Cuisine Association. In addition, major restaurant chains showed a significant presence in highly populated cities and areas. They continued to enhance operation efficiency by chain operation and supply chain management, and many of these restaurant chains expanded their business to the food processing industry. The strong performance of the industry leaders raised the entry barrier to the catering service industry. Furthermore, the Internet continues to penetrate into the catering service industry and changes consumers' consumption behavior. As a result, the operation and marketing in the traditional service industry are expecting significant changes.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The Group's restaurant network

In the first half of 2017, the Group opened 33 Xiabuxiabu restaurants and four Coucou restaurants. In addition, the Group closed a total of 20 Xiabuxiabu restaurants in the first half of 2017 due to commercial reasons. The table below sets forth the breakdown of the Group's system-wide Xiabuxiabu restaurants by region as of the dates indicated:

	As of 30 June 2017		As of 31 December 2016	
	#	%	#	%
Beijing	**277**	**42.6**	283	44.6
Shanghai	**49**	**7.5**	54	8.5
Tianjin	**60**	**9.2**	60	9.4
Hebei(1)	**115**	**17.7**	111	17.3
Northeast China(2)	**59**	**9.1**	49	7.7
Other regions(3)	**90**	**13.9**	80	12.5
Total	**650**	**100.0**	637	100.0

(1) Including 16 cities in Hebei Province.

(2) Including 18 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 30 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui and Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

Key operational information for the Group's restaurants

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

	As of or for the six months ended 30 June	
	2017	2016
Revenue (in RMB thousands)		
Beijing	**830,454**	766,726
Shanghai	**95,714**	88,982
Tianjin	**122,970**	100,655
Hebei[(2)]	**242,548**	186,657
Northeast China[(3)]	**107,139**	43,816
Other regions[(4)]	**140,298**	75,746
Total	**1,539,123**	1,262,582
Seat turnover rate (X)[(5)]		
Beijing	**3.8**	3.8
Shanghai	**2.6**	2.2
Tianjin	**2.9**	3.0
Hebei[(2)]	**2.9**	3.0
Northeast China[(3)]	**2.6**	2.1
Other regions[(4)]	**2.2**	2.2
Total	**3.1**	3.2
Average spending per customer (RMB)[(1)]		
Beijing	**48.3**	48.1
Shanghai	**49.1**	49.8
Tianjin	**46.6**	45.5
Hebei[(2)]	**45.3**	44.7
Northeast China[(3)]	**45.5**	46.1
Other regions[(4)]	**45.6**	46.9
Total	**47.2**	47.3

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

(2) Including 16 cities in Hebei Province.

(3) Including 18 cities in Heilongjiang, Jilin and Liaoning Provinces.

(4) Including 30 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui and Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

(5) Calculated by dividing total customer traffic by total restaurant operation days and average seat count of Xiabuxiabu restaurants during the period.

As of 30 June 2017, the Group also owned six Coucou restaurants. As the Group opened its first Coucou restaurant in June 2016, its contribution to the Group's revenue and restaurant level operating profit for the six months ended 30 June 2016 was minimum. For the six months ended 30 June 2017, the Group's revenue generated from Coucou remains less than 2.5% of its total revenue.

In the first half of 2017, 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 continued to decrease as a percentage of the Group's total revenue for the six months ended 30 June 2017. Meanwhile, in the first half of 2017, average customer spending remained relatively stable.

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	
	2016	**2017**	2015	2016
Number of same-store (#)				
Beijing	**241**		237	
Shanghai	**41**		51	
Tianjin	**46**		42	
Hebei(1)	**86**		66	
Northeast China(2)	**27**		14	
Other regions(3)	**50**		26	
Total	**491**		436	
Same-store sales (in RMB millions)				
Beijing	**677.6**	**720.1**	702.0	717.8
Shanghai	**73.1**	**83.5**	87.0	83.9
Tianjin	**91.3**	**94.9**	86.4	90.6
Hebei(1)	**175.7**	**191.8**	152.8	148.8
Northeast China(2)	**37.4**	**41.8**	22.5	19.1
Other regions(3)	**70.3**	**73.9**	42.6	40.1
Total	**1,125.4**	**1,206.0**	1,093.3	1,100.3
Same-store sales growth (%)				
Beijing	**6.3**		2.2	
Shanghai	**14.2**		(3.6)	
Tianjin	**4.0**		4.8	
Hebei(1)	**9.1**		(15.2)	
Northeast China(2)	**11.7**		(2.6)	
Other regions(3)	**5.2**		(5.8)	
Total	**7.2**		0.6	

(1) Including 16 cities in Hebei Province.

(2) Including 18 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 30 cities in Jiangsu, Shandong, Shanxi, Henan Shaanxi, Anhui, and Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

In the first half of 2017, the Group's nationwide same-store sales increased by 7.2% primarily due to effective promotion campaign and enhanced branding initiative by the Group.

OUTLOOK

Business Outlook

During the second half of 2017, the Group will continue its efforts to achieve its goal of becoming the leading operator of fast casual restaurant industry and maintaining its leading position as a hotpot restaurant chain operator in China. The Group intends to continue to pursue the following:

- *Additional growth drivers* – Based on its fast casual hotpot business, the Group endeavors to develop additional growth drivers, including "Coucou" restaurants, Xiabuxiabu 2.0 restaurant upgrade, and "Xiabu Fresh" delivery. The Group endeavors to shorten the construction time for the Xiabuxiabu 2.0 restaurant upgrade to improve the Group's operating results. The Group will accelerate its exploration on the "Xiabu Fresh" delivery business to fully utilize business hours during rush hours such as lunch and dinner time to improve its sales density. The Group will continue to collaborate with leading online and mobile meal ordering and delivery platforms to promote its "Xiabu Fresh" delivery business. The Group plans to continue to customize and optimize its menu to suit its new development. In particular, the Group plans to develop new menu items catering to the tastes and preferences of diners in eastern China to further boost its sales in such area. 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. In the second half of 2017, the Group plans to open about 60 new restaurants. The Group plans to consolidate its leading position and deepens its penetration in its existing markets. During the expansion, the Group will continue to focus on new markets research and create synergies among functions of the Group's internal departments such as business development, sales and marketing and operations departments so as to ensure the success of new restaurants when the Group ventures into mature and emerging markets. The Group focuses on tailoring the tastes and prices of its dishes to customers in different geographic areas.

- *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 65 million customer flow and initiate joint promotion programs with renowned brands in the area of big data.

- *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 reinforce 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 to enhance 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 restaurants from suppliers or the Group's logistics centers; and (v) continue to enforce self-evaluation and stringent control on the Group's food safety and quality control standards and measures.

Industry Outlook

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

- *Stronger demand for mass-market oriented restaurants* – Demand for mass-market oriented restaurants is always rigid, offering value for money and convenience, these restaurants have gained stronger market recognition and well-liked by consumers. 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 catering segment focusing on the mass market, will continue to experience strong growth.

- *Consolidation by restaurant chains* – China's catering service industry is likely to be more consolidated by chained restaurants with greater quality, stronger reputation and broader restaurant network.

- *Increasing attention from the capital market* – The global capital market shows stronger interest in restaurant operators focusing on the Chinese market. Many large international restaurant operators have shown increasing interest in Chinese- and Asian-style quick service restaurants and might expand their operations accordingly. Meanwhile, catering service providers have also diversified their access to the capital market, which is expected to boost the growth in China's catering service industry.

- *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 reservations, queue and pay through mobile devices or websites have become the prevailing trend in China's catering service market. Restaurant operators are under pressure to strengthen their information system management capability.

- *Restaurants become more popular among commercial complexes operators* – As e-commerce continues to impact the retail business, restaurants' ability to bring people flow has become especially attractive for operators of commercial complexes. Such growing popularity is expected to affect the site selection strategy of catering service providers in 2017 and going forward.

- *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 2016 to the six months ended 30 June 2017:

	Six months ended 30 June				Period-to-Period Change
	2017		2016		
	RMB	**%**	RMB	%	%
	(In thousands, except for percentages and per share data)				
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**1,575,676**	**100.0**	1,262,582	100.0	24.8
Other income	**30,817**	**2.0**	16,192	1.3	90.3
Raw materials and consumables used	**(557,597)**	**(35.4)**	(469,016)	(37.1)	18.9
Staff cost	**(384,357)**	**(24.4)**	(298,375)	(23.6)	28.8
Property rentals and related expenses	**(203,493)**	**(12.9)**	(175,480)	(13.9)	16.0
Utilities expenses	**(55,595)**	**(3.5)**	(51,511)	(4.1)	7.9
Depreciation and amortization	**(69,495)**	**(4.4)**	(57,486)	(4.6)	20.9
Other expenses	**(95,017)**	**(6.0)**	(59,607)	(4.7)	59.4
Other gains and losses	**6,290**	**0.4**	16,159	1.3	(61.1)
Profit before tax	**247,229**	**15.7**	183,458	14.5	34.8
Income tax	**(59,024)**	**(3.7)**	(44,057)	(3.5)	34.0
Profit for the period	**188,205**	**11.9**	139,401	11.0	35.0
Earnings per share					
Basic (RMB cents per share)	**17.63**		13.09		
Diluted (RMB cents per share)	**17.43**		13.02		

Revenue

The Group's revenue increased by 24.8% from RMB1,262.6 million for the six months ended 30 June 2016 to RMB1,575.7 million for the same period of 2017, primarily due to the increase in the number of the Group's Xiabuxiabu restaurants from 553 as of 30 June 2016 to 650 as of 30 June 2017, as well as the same-store sales growth of 7.2% for the six months ended 30 June 2017. In particular, revenue generated from Xiabuxiabu restaurants increased by 21.9% from RMB1,262.6 million for the six months ended 30 June 2016 to RMB1,539.1 million for the same period of 2017. The Group opened 33 new Xiabuxiabu restaurants throughout China in the first half of 2017 to enhance the Group's restaurant network by opening stores in more desirable locations with heavy customer traffic. The Group also opened four new Coucou restaurants in Beijing and Shenzhen in the six months ended 30 June 2017.

Other income

The Group's other income increased by 90.3% from RMB16.2 million for the six months ended 30 June 2016 to RMB30.8 million for the same period of 2017, primarily due to (i) an increase in sale of other products from RMB0.9 million for the six months ended 30 June 2016 to RMB12.6 million for the same period of 2017 arising from the sale of certain products, including cups and reusable shopping bags, in connection with our branding and promotion campaign; (ii) an increase in delivery income for takeout orders from RMB1.0 million for the six months ended 30 June 2016 to RMB5.0 million for the same period of 2017; and (iii) a government subsidy of approximately RMB2.0 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. Such increase was partially offset by a decrease of interest income on bank deposits from RMB10.1 million for the six months ended 30 June 2016 to RMB5.9 million for the same period of 2017.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 18.9% from RMB469.0 million for the six months ended 30 June 2016 to RMB557.6 million for the same period of 2017 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 37.1% in the first half of 2016 to 35.4% in the first half of 2017, primarily due to (i) the transition from business tax to value-added tax effective from 1 May 2016, which enabled the Group to deduct certain input value added tax and lower the raw material and consumables costs; and (ii) 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.

Staff cost

The Group's staff cost increased by 28.8% from RMB298.4 million for the six months ended 30 June 2016 to RMB384.4 million for the same period of 2017, primarily due to an increase in the number of the Group's employees from 12,702 as of 30 June 2016 to 16,888 as of 30 June 2017, as well as an increase in per capita wages, which in turn was the result of an increase in the minimum hourly wage and statutory social insurance in China. As a percentage of the Group's revenue, the Group's staff cost increased from 23.6% in the first half of 2016 to 24.4% in the first half of 2017, primarily also as a result of an increase in per capita wages. For the six months ended 30 June 2017, in connection with the pre-IPO share incentive plan adopted by the Company on 28 August 2009 (the "**Pre-IPO Share Incentive Plan**") and the restricted share unit scheme adopted by the Company on 28 November 2014 (the "**RSU Scheme**"), the Group's equity-settled share-based expenses increased by 138.9% from RMB2.1 million in the first half of 2016 to RMB4.9 million in the first half of 2017.

Property rentals and related expenses

The Group's property rentals and related expenses increased by 16.0% from RMB175.5 million for the six months ended 30 June 2016 to RMB203.5 million for the same period of 2017, 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 13.9% in the first half of 2016 to 12.9% in the first half of 2017 as a percentage of the Group's revenue.

Utilities expenses

The Group's utilities expenses increased by 7.9% from RMB51.5 million for the six months ended 30 June 2016 to RMB55.6 million for the same period of 2017 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 decreased from 4.1% in the first half of 2016 to 3.5% in the first half of 2017 as a percentage of the Group's revenue.

Depreciation and amortization

The Group's depreciation and amortization increased by 20.9% from RMB57.5 million for the six months ended 30 June 2016 to RMB69.5 million for the same period of 2017, primarily as a result of an increase in the Group's property, plant and equipment as the Group continued to open new restaurants and update to Xiabuxiabu 2.0. As a percentage of the Group's revenue, depreciation and amortization decreased from 4.6% in the first half of 2016 to 4.4% in the first half of 2017.

Other expenses

The Group's other expenses increased by 59.4% from RMB59.6 million for the six months ended 30 June 2016 to RMB95.0 million for the same period of 2017. As a percentage of the Group's revenue, the Group's other expenses increased from 4.7% in the first half of 2016 to 6.0% in the first half of 2017. 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) an increase in advertising and other marketing expenses; (ii) an increase in professional service fee in connection with the upgrade and maintenance of our internal software; and (iii) an increase in delivery expenses due to the expansion of Xiabu Fresh.

Other gains and losses

The Group recorded other gains of RMB6.3 million for the six months ended 30 June 2017, consisted primarily of gains from changes in fair value of financial assets designated at fair value through profit or loss, which was partially offset by foreign exchange loss of RMB11.5 million.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by 34.8% from RMB183.5 million for the six months ended 30 June 2016 to RMB247.2 million for the same period of 2017, and as a percentage of the Group's revenue, the Group's profit before tax increased from 14.5% in the first half of 2016 to 15.7% in the first half of 2017.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB2.1 million incurred in the first half 2016, as compared to RMB4.9 million incurred by the Group in the first half of 2017, the Group's profit before tax would have increased by 35.9% from RMB185.5 million in the first half of 2016 to RMB252.1 million in the first half of 2017.

Income tax expense

The Group's income tax expense increased by 34.0% from RMB44.1 million for the six months ended 30 June 2016 to RMB59.0 million for the same period of 2017, 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, remained relatively stable at 24.0% in the first half of 2016 and 23.9% for the same period of 2017.

Profit for the period

As a result of the cumulative effect of the above factors, the Group's profit for the Reporting Period increased by 35.0% from RMB139.4 million for the six months ended 30 June 2016 to RMB188.2 million for the same period of 2017, and as a percentage of the Group's revenue, the Group's profit for the Reporting Period increased from 11.0% in the first half of 2016 to 11.9% for the same period of 2017.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of approximately RMB2.1 million incurred in the first half 2016, as compared to RMB4.9 million incurred by the Group in the first half of 2017, the Group's profit for the Reporting Period would have increased by 36.5% from RMB141.5 million for the six months ended 30 June 2016 to RMB193.1 million for the same period of 2017, and increased from 11.2% in the first half of 2016 to 12.3% in the first half of 2017 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 revenue generated from Xiabuxiabu restaurants. As of 30 June 2017, the Group also owned six Coucou restaurants. As the Group opened its first Coucou restaurant in June 2016, its contribution to the Group's revenue and restaurant level operating profit for the six months ended 30 June 2016 was minimum. For the six months ended 30 June 2017, the Group's revenue generated from Coucou remains less than 2.5% of its total revenue.

The table below sets forth the breakdown of revenue generated from Xiabuxiabu restaurants by geographical regions, each presented as a percentage of the total revenue generated therefrom for the periods indicated, as well as the geographical breakdown of the restaurant level operating profit generated from Xiabuxiabu restaurants, each presented as a percentage of the regional revenue generated therefrom for the periods indicated:

	Six months ended 30 June			
	2017		2016	
	RMB	**%**	RMB	%
	(In thousands, except for percentages)			
Revenue:				
Beijing	**830,454**	**54.0**	766,726	60.7
Shanghai	**95,714**	**6.2**	88,982	7.0
Tianjin	**122,970**	**8.0**	100,655	8.0
Hebei[1]	**242,548**	**15.7**	186,657	14.8
Northeast China[2]	**107,139**	**7.0**	43,816	3.5
Other regions[3]	**140,298**	**9.1**	75,746	6.0
Total	**1,539,123**	**100.0**	1,262,582	100.0

	Six months ended 30 June			
	2017		2016	
	RMB	**%**	RMB	%
	(In thousands, except for percentages)			
Restaurant Level Operating Profit and Margin Performance[4]:				
Beijing	**246,962**	**29.7**	183,736	24.0
Shanghai	**11,773**	**12.3**	1,180	1.3
Tianjin	**29,336**	**23.9**	20,796	20.7
Hebei[1]	**60,992**	**25.1**	43,511	23.3
Northeast China[2]	**18,078**	**16.9**	2,182	5.0
Other regions[3]	**16,020**	**11.4**	3,970	5.2
Total	**383,161**	**24.9**	255,375	20.2

(1) Including 16 cities in Hebei Province.

(2) Including 18 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 30 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui and Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

(4) 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 2017, 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 revenue generated from Xiabuxiabu restaurants in Beijing decreased as a percentage of the total revenue generated therefrom from 60.7% in the first half of 2016 to 54.0% in the first half of 2017.

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 Xiabuxiabu restaurants, the growth in the restaurant level operating profit generated from Xiabuxiabu restaurants outpaced the growth in the revenue generated therefrom. As a percentage of the Group's revenue generated from Xiabuxiabu restaurants, the Group's restaurant level operating profit generated therefrom increased from 20.2% in the first half of 2016 to 24.9% in the first half of 2017.

(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:

	Six months ended 30 June	
	2017	2016
	(In RMB thousands)	
Profit for the period	**188,205**	139,401
Share-based compensation	**4,910**	2,055
Adjusted net profit	**193,115**	141,456

(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 2017, 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 2017, the Group had cash and cash equivalents of RMB521.5 million (31 December 2016: RMB1,479.2 million), which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Hong Kong dollars (as to 18.9%), Renminbi (as to 18.0%) and U.S. dollars (as to 63.1%).

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 2017, the Company utilized approximately 0.9%, or HK$9.5 million of the net proceeds from the global offering to provide funding for our working capital and other general corporate purposes, including the payment of our staff costs and professional service fees. The Group had not yet utilized any net proceeds from the global offering to fund its expansion plan as the Group had to date applied its available internal financial resources to fund its expansion plan. The remaining net proceeds has been deposited into short-term demand deposits and money market instruments such as short-term financial products issued by reputable commercial banks as well as bonds. In the rest of 2017 and the upcoming years, the Group will continue to utilize 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 2017, the Group had short-term investments amounted to RMB972.1 million in aggregate (31 December 2016: nil), which mainly represented short-term investments in financial products (the "**Financial Products**") issued by Bank of Communications Co., Ltd., China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd and Fubon Bank (China) Co., Ltd. (collectively, the "**Banks**"). The Financial Products were not principal protected nor with pre-determined or guaranteed return. The Company generally subscribed for the Financial Products on a revolving basis, which means that the Company would subscribe for additional Financial Products when the terms of certain Financial Products previously subscribed for by the Company expired. As of 30 June 2017, the Company held twelve outstanding Financial Products issued by the Banks with an aggregate principal amount of RMB961.2 million which shall all mature by no later than 16 November 2017. The Group purchased additional financial products with an aggregate principal amount of RMB530.0 million from 1 July 2017 up to the date of this report and which remained outstanding as at the date of this report. Details of such financial products were disclosed in the announcements of the Company dated 19 July 2017, 20 July 2017 and 17 August 2017, respectively. Save as disclosed in these announcements, no new financial products have been purchased by the Group after 30 June 2017 and up to the date of this report.

The Financial Products which the Company subscribed for during the six months ended 30 June 2017 were with a term ranging from 5 days to 198 days and an expected return rate ranging from 4.00% to 5.00% per annum. The gain the Group realized from the Financial Products during the six months ended 30 June 2017 was recorded as changes in fair value of financial assets designated at fair value through profit or loss and amounted to approximately RMB17.6 million for the six months ended 30 June 2017.

The underlying investments of the Financial Products were primarily (i) fixed income products such as corporate and government bonds with AA rating if a rating has been obtained, deposits and other money market funds; (ii) structured equities or securities investment products and/or other asset management plans or funds; and (iii) non-standardized debts instruments such as entrustment loans, acceptance bills and/or letter of credits.

Subscriptions of Financial Products were made for treasury management purpose to maximize the return on the unutilized funds of the Company 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 short-term financial products issued by reputable commercial banks that 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 were not principal protected nor with pre-determined or guaranteed return, the underlying investments were considered to have relatively low risk and are also in line with the internal risk management, cash management and investment policies of the Group as the Company had, in the past, totally recovered the principal and received the expected returns upon the redemption or maturity of similar financial products. In addition, the Financial Products were with flexible redemption terms or a relatively short term of maturity, and which were considered to akin to placing deposits with banks whilst enabling the Group to earn an attractive rate of return. However, in accordance with the relevant accounting standards, the Financial Products are accounted for as short-term investments.

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

Details of the subscription of the Financial Products issued by the relevant Bank which constituted discloseable transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were disclosed in the announcements of the Company dated 6 January 2017, 9 January 2017, 10 February 2017, 13 March 2017, 12 April 2017, 17 May 2017 and 23 May 2017. Save as otherwise disclosed in these announcements, there was no other single short-term investment, including those accounted for as available-for-sale investments and short-term investments in the Group's investment portfolio that was considered a significant investment as none of the investments has a carrying amount that account for more than 5% of the Group's total assets.

Indebtedness

As of 30 June 2017, 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 RMB110.7 million for the six months ended 30 June 2017 in connection with new restaurant opening and re-decoration and furnishing of existing stores. For the six months ended 30 June 2016, the Group made payment for the capital expenditure of RMB60.1 million. The Group's capital expenditure in the first half of 2017 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 new 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 2017, the Group opened a total of 37 new restaurants. As of 30 June 2017, the Company did not have any charge over its assets.

During the six months ended 30 June 2017, the Group entered into a contract with the PRC government to purchase the land use right of a piece of land in Beijing for RMB26.3 million. The Group planned to utilize the land for its research center, warehousing and other administrative purposes. As of 30 June 2017, the Group has paid RMB24.6 million in cash using the Group's available internal resources and the Company expects to settle the remaining amount in September 2017.

Contingent liabilities and guarantees

As of 30 June 2017, 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 2017, 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 2017, the Group had a total of 16,888 employees, in which 121 employees worked at the Group's food processing facilities, 1,539 were restaurant management staff and 14,354 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 2017, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB384.4 million, representing approximately 24.4% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 17,869,231 shares (representing approximately 1.67% of the total issued share capital of the Company as at the date of this report) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as of 30 June 2017. The Company has also adopted the RSU Scheme which became effective upon the date of listing of the Company. Computershare Hong Kong Trustees Limited has been appointed as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme (the "**RSU Trustee**"). During the six months ended 30 June 2017, the RSU Trustee purchased an aggregate of 1,498,000 shares of the Company at a total cash consideration of approximately HK$10,540,000 on-market to hold on trust for the benefit of the participants of the RSU Scheme (the "**RSU Participants**") pursuant to the rules of the RSU Scheme and the trust deed entered into between the Company and the RSU Trustee. Such shares will be used as awards for relevant RSU Participants upon the grant and vesting of restricted share units ("**RSUs**"). As of 30 June 2017, RSUs in respect of an aggregate of 6,734,312 shares (representing approximately 0.63% of the total issued share capital of the Company as at the date of this report) granted by the Company under the RSU Scheme remained outstanding. Further details of the Pre-IPO Share Incentive Plan and the RSU Scheme, together with, among others, the details of the options granted under the Pre-IPO Share Incentive Plan and the RSUs granted under the RSU Scheme are set out in the section headed "Other Information" in this report.

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

As of 30 June 2017, 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 of Hong Kong Limited (the "**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**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	42.10%
	Beneficiary of a trust	985,967	0.09%
Ms. Yang Shuling(3)	Beneficial owner	12,997,767	1.22%
	Beneficiary of a trust	2,259,826	0.21%
Ms. Chen Su-Yin(2)(4)	Interest of spouse	450,985,967	42.19%

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. Mr. Ho Kuang-Chi is also interested in RSUs representing 985,967 shares held on trust on his behalf by the RSU Trustee which can be exercised for nil consideration and are subject to vesting.

(3) Ms. Yang Shuling is interested in 1,700,000 shares and options representing 11,297,767 underlying shares granted to her under the Pre-IPO Share Incentive Plan and RSUs representing 2,259,826 shares held on trust on her behalf by the RSU Trustee which can be exercised for nil consideration. Both the options and RSUs are 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 2017, the Company had 1,069,001,753 issued shares.

Save as disclosed above, as of 30 June 2017, 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 2017, 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(6)
Ying Qi PTC Limited(2)	Trustee of a trust	450,000,000 (L)	42.10%
Ying Qi Investments Limited(2)	Beneficial owner	450,000,000 (L)	42.10%
Gap (Bermuda) Limited(3)	Interest of controlled corporation	340,754,718 (L)	31.88%
General Atlantic Genpar (Bermuda) L.P.(3)	Interest of controlled corporation	340,754,718 (L)	31.88%
General Atlantic Partners (Bermuda) II, L.P.(3)	Interest of controlled corporation	340,754,718 (L)	31.88%
General Atlantic Singapore Fund Interholdco Ltd.(3)	Interest of controlled corporation	340,754,718 (L)	31.88%
General Atlantic Singapore Fund Pte Ltd.(3)	Beneficial owner	340,754,718 (L)	31.88%
Hillhouse Capital Management, Ltd.(4)	Investment manager	57,720,500 (L)	5.40%
Gaoling Fund, L.P.(4)	Beneficial owner	55,920,000 (L)	5.23%
Morgan Stanley(5)	Interest of controlled corporation	55,846,500 (L) 11,616,500 (S)	5.22% 1.09%

Notes:

(1) The letter "L" denotes the person's long position in such shares, while the letter "S" denotes the person's short position in such shares.

(2) Ying Qi PTC Limited, the trustee of the Ying Qi Trust, in its capacity as trustee holds the entire issued share capital of Ying Qi Investments Limited. The Ying Qi Trust is a discretionary trust established by Mr. Ho Kuang-Chi (as the settlor) and the beneficiary of which includes Mr. Ho Kuang-Chi. Accordingly, each of Mr. Ho 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, LP. Each of Gaoling Fund, L.P. and YHG Investment, LP 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, LP by virtue of the SFO.

(5) Morgan Stanley held interests in the Company through various of its direct and indirect controlled entities.

(6) As of 30 June 2017, the Company had 1,069,001,753 issued shares.

(7) 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 2017, the 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 2017 in respect of outstanding options is approximately six 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 2016 Annual Report of the Company.

As of 30 June 2017, Options to subscribe for an aggregate of 17,869,231 shares (representing approximately 1.67% 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 2017, 3,090,533 Options have been exercised by the holders, 1,715,860 Options have been cancelled and no Option has lapsed.

Details of the movements in Options during the six months ended 30 June 2017 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 2017	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$)	Cancelled during the period	Lapsed during the period	Number of shares represented by Options at 30 June 2017
Director of the Company									
Yang Shuling	Executive Director and Chief Executive Officer	1,050,000	31 August 2009	0.84	350,000	4.79	–	–	700,000
		3,564,800	17 May 2011	1.79	1,000,000	4.79	–	–	2,564,800
		4,594,994	24 December 2012	1.84	–	–	–	–	4,594,994
		3,437,973	21 March 2014	2.78	–	–	–	–	3,437,973
		12,647,767			**1,350,000**		**–**	**–**	**11,297,767**
Senior management member of the Company									
Zhao Yi	Chief Financial Officer	**2,006,629**	21 March 2014	2.78	75,000	5.10	–	–	**1,931,629**
Other employees of the Group									
23 other employees of the Group		987,250	31 August 2009	0.84	307,750	6.34	210,000	–	469,500
		1,673,996	17 May 2011	1.79	623,494	6.85	294,990	–	755,512
		2,112,561	24 December 2012	1.84	592,613	6.78	418,950	–	1,100,998
		3,247,421	21 March 2014	2.78	141,676	6.87	791,920	–	2,313,825
		8,021,228			**1,665,533**		**1,715,860**	**–**	**4,639,835**
Total		2,037,250	31 August 2009	0.84	657,750	5.51	210,000	–	1,169,500
		5,238,796	17 May 2011	1.79	1,623,494	5.58	294,990	–	3,320,312
		6,707,555	24 December 2012	1.84	592,613	6.78	418,950	–	5,695,992
		8,692,023	21 March 2014	2.78	216,676	6.26	791,920	–	7,683,427
		22,675,624			**3,090,533**		**1,715,860**	**–**	**17,869,231**

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 (the "**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 2017, the remaining life of the RSU Scheme is approximately seven 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 2016 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. During the six months ended 30 June 2017, the RSU Trustee purchased an aggregate of 1,498,000 Shares at a total cash consideration of approximately HK$10,540,000 on-market to hold on trust for the benefit of the participants of the RSU Scheme (the "**RSU Participants**") pursuant to the rules of the RSU Scheme and the trust deed entered into between the Company and the RSU Trustee. Such Shares will be used as awards for relevant RSU Participants upon the grant and vesting of RSUs. As of the date of this report, the RSU Trustee held a total of 9,452,500 Shares, representing approximately 0.88% of the total issued Shares of the Company as of the date of this report. Pursuant to the RSU Trust Deed, notwithstanding that the RSU Trustee is the legal registered holder of the Shares held upon trust pursuant to the RSU Scheme, the RSU Trustee shall refrain from exercising any voting rights attached to such Shares held by it under the trust.

As of 30 June 2017, RSUs in respect of an aggregate of 6,734,312 Shares, representing approximately 0.63% of the total issued Shares of the Company as of the date of this report, remains outstanding. Details of the RSUs granted under the RSU Scheme and outstanding as of 30 June 2017 and details of the vesting period and the movements in RSUs during the six months ended 30 June 2017 are set out below:

Name of grantees of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 January 2017	Date of grant	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Number of Shares represented by RSUs at 30 June 2017
Directors of the Company								
Ho Kuang-Chi	Chairman of the Board and Executive Director	–	8 May 2017[1]	985,967	–	–	–	985,967
Yang Shuling	Executive Director and Chief Executive Officer	1,273,859	17 November 2016	–	–	–	–	1,273,859
		–	8 May 2017[1]	985,967	–	–	–	985,967
Sub-total		1,273,859		1,971,934	–	–	–	3,245,793
Employees of the Group								
22 other employees of the Group		1,637,061	17 November 2016	–	–	102,720	–	1,534,341
		–	8 May 2017[1]	2,021,256	–	67,078	–	1,954,178
Sub-total		1,637,061		2,021,256	–	169,798	–	3,488,519
Total		**2,910,920**		**3,993,190**	**–**	**169,798**	**–**	**6,734,312**

Notes:

(1) The closing price of the Shares on 5 May 2017, being the trading day immediately preceding the date on which the 3,993,190 RSUs were granted, was HK$7.19 per Share.

Details of movements in the RSUs under the RSU Scheme are also set out in Note 18 to the consolidated financial statements.

The grantees of the RSUs under the RSU Scheme as referred to in the table above are not required to pay for the grant of any RSUs under the RSU Scheme and the relevant RSU Grant Letter.

Subject to the satisfactory performance of the grantees, the RSUs granted on 17 November 2016 to each of the grantees shall be vested in accordance with the vesting schedule as follows:

(i) as to 25% of the RSUs on 1 April 2018;

(ii) as to 25% of the RSUs on 1 April 2019;

(iii) as to 25% of the RSUs on 1 April 2020; and

(iv) as to the remaining 25% of the RSUs on 1 April 2021.

In addition, the RSUs granted on 8 May 2017 to each of the grantees shall be vested in accordance with the vesting schedule as follows:

(i) as to 25% of the RSUs on 1 April 2019;

(ii) as to 25% of the RSUs on 1 April 2020;

(iii) as to 25% of the RSUs on 1 April 2021; and

(iv) as to the remaining 25% of the RSUs on 1 April 2022.

Each RSU granted under the RSU Scheme has a ten-year exercise period commencing from the date of grant.

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 2017.

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 RMB0.070 per share, amounting to approximately a total of RMB75.3 million, for the six months ended 30 June 2017 (the "**2017 Interim Dividend**"), representing approximately 40% of the net profit of the Group for the six months ended 30 June 2017. The 2017 Interim Dividend is declared in Renminbi and will be paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 18 September 2017. 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 2017 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 2017 may or may not be paid.

The register of members of the Company will be closed from 14 September 2017 to 18 September 2017 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2017 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 13 September 2017 for registration. The 2017 Interim Dividend will be paid on 10 October 2017 to those shareholders whose names appear on the register of members of the Company on 18 September 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2017, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to 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 2017.

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 2017.

Subsequently, on 23 August 2017, Mr. Wei Ke has resigned as a non-executive Director and a member of the Audit Committee. Mr. Zhang Chi was appointed as a member of the Audit Committee in his stead with effect from 23 August 2017.

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

Mr. Wei Ke has resigned as a non-executive Director and a member of the Audit Committee with effect from 23 August 2017. Mr. Zhang Chi has been appointed as a non-executive Director (with Ms. Chang Le being appointed as his alternate) and a member of the Audit Committee with effect from 23 August 2017. The biographies of Mr. Zhang and Ms. Chang were set out in the announcement of the Company dated 22 August 2017.

Save as disclosed above, there is no other 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 2016 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 2017, the Company utilized approximately 0.9%, or HK$9.5 million of the net proceeds from the global offering to provide funding for its working capital and other general corporate purposes, including the payment of our staff costs and professional service fees. The Group had not yet utilized any net proceeds from the global offering to fund its expansion plan as the Group had to date applied its available internal financial resources to fund its expansion plan. The remaining net proceeds has been deposited into short-term demand deposits and money market instruments such as short-term financial products issued by reputable commercial banks as well as bonds. In the rest of 2017 and the upcoming years, the Group will continue to utilize 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 32 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with 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

22 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	**1,575,676**	1,262,582
Other income	4	**30,817**	16,192
Raw materials and consumables used		**(557,597)**	(469,016)
Staff costs		**(384,357)**	(298,375)
Property rentals and related expenses		**(203,493)**	(175,480)
Utilities expenses		**(55,595)**	(51,511)
Depreciation and amortization		**(69,495)**	(57,486)
Other expenses		**(95,017)**	(59,607)
Other gains and losses	5	**6,290**	16,159
Profit before tax	6	**247,229**	183,458
Income tax expense	7	**(59,024)**	(44,057)
Profit for the period attributable to owners of the Company		**188,205**	139,401
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Fair value loss on available-for-sale investments during the period, net of tax		**(336)**	–
Total comprehensive income for the period attributable to owners of the Company		**187,869**	139,401
Earnings per share			
– basic (RMB cents per share)	9	**17.63**	13.09
– diluted (RMB cents per share)	9	**17.43**	13.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**447,591**	398,700
Intangible assets		**1,030**	1,241
Lease prepayments for land use right		**22,209**	22,476
Deposit for land use right		**24,611**	–
Available-for-sale investment	11	**–**	35,071
Deferred tax assets	12	**95,833**	78,704
Rental deposits		**68,447**	58,655
		659,721	594,847
Current assets			
Inventories	13	**149,653**	124,515
Trade and other receivables and prepayments	14	**96,886**	96,347
Available-for-sale investments	11	**51,157**	17,687
Short-term investments	15	**972,079**	–
Bank balances and cash		**521,494**	1,479,208
		1,791,269	1,717,757
Current liabilities			
Trade payables	16	**196,686**	167,360
Accrual and other payables	17	**362,036**	341,600
Income tax payables		**64,286**	70,371
Deferred income		**1,384**	1,320
		624,392	580,651
Net current assets		**1,166,877**	1,137,106
Total assets less current liabilities		**1,826,598**	1,731,953
Non-current liabilities			
Deferred income		**14,280**	15,645
Net assets		**1,812,318**	1,716,308
Capital and reserves			
Share capital	19	**173**	172
Reserves		**1,812,145**	1,716,136
Total equity		**1,812,318**	1,716,308

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Share capital RMB'000	Share premium RMB'000	Equity-settled share-based payments reserve RMB'000	Statutory surplus reserve RMB'000	Treasury share reserve RMB'000	Investments revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2017 (Audited)	**172**	**1,009,109**	**17,869**	**29,091**	**(24,556)**	**(1,232)**	**685,856**	**1,716,309**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**188,205**	**188,205**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(336)**	**–**	**(336)**
Profit and total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**–**	**(336)**	**188,205**	**187,869**
Recognition of equity-settled share-based payments	**–**	**–**	**4,910**	**–**	**–**	**–**	**–**	**4,910**
Effect of forfeited share option before vesting	**–**	**–**	**(1,399)**	**–**	**–**	**–**	**–**	**(1,399)**
Exercise of issued share option	**1**	**7,674**	**(2,273)**	**–**	**–**	**–**	**–**	**5,402**
Payments of dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(91,582)**	**(91,582)**
Purchase of treasury share under restricted share unit scheme (note)	**–**	**–**	**–**	**–**	**(9,191)**	**–**	**–**	**(9,191)**
Balance at 30 June 2017 (Unaudited)	**173**	**1,016,783**	**19,107**	**29,091**	**(33,747)**	**(1,568)**	**782,479**	**1,812,318**
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 before vesting	–	–	(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

Note:

During the six months ended 30 June 2017, the Company acquired its existing shares of 1,498,000 from the market at a consideration of HK$10,540,000 (equivalent to approximately RMB9,191,000) 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 18 (2).

During the six months ended 30 June 2016, the Company acquired its existing shares of 5,133,500 from the market at a consideration of HK$16,891,000 (equivalent to approximately RMB14,277,000) for the RSU Scheme.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	For six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**216,450**	108,670
Cash flows from investing activities		
Interest income received	**13,050**	15,011
Purchase of short-term investments	**(1,875,400)**	(2,831,400)
Proceeds from disposal of short-term investments	**920,944**	2,409,104
Purchase of available-for-sale investments	**–**	(51,609)
Deposit paid for land use right	**(24,611)**	–
Purchases of property, plant and equipment	**(110,673)**	(60,138)
Proceeds from disposal of property, plant and equipment	**73**	31
Purchase of intangible assets	**(62)**	(188)
Net cash used in investing activities	**(1,076,679)**	(519,189)
Cash flow from financing activities		
Dividend paid	**(91,582)**	(57,720)
Cash received from exercise of share option	**5,402**	1,739
Current account with the RSU Trustee:		
Purchase of treasury shares	**(9,191)**	(14,277)
Prepayment to the RSU Trustee for purchase of treasury shares	**–**	(11,186)
Amounts refunded from the RSU Trustee	**9,316**	–
Net cash used in financing activities	**(86,055)**	(81,444)
Net decrease in cash and cash equivalents	**(946,284)**	(491,963)
Cash and cash equivalents at the beginning of the period	**1,479,208**	1,354,497
Effect of foreign exchange rate changes, net	**(11,430)**	6,066
Cash and cash equivalents at the end of the period represented by bank balances and cash	**521,494**	868,600

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 Company and its subsidiaries (collectively referred to as "the Group") are principally engaged in Chinese hotpot restaurant operations in the People's Republic of China ("PRC").

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

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

The condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Restaurant operations	**1,575,676**	1,262,582

Information reported to the executive directors of the Company, who are identified as the chief operating decision maker 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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	**5,919**	10,056
– available-for-sale ("AFS") investments	**1,905**	1,307
	7,824	11,363
Promotion service income	**1,873**	1,067
Government grant		
– subsidy received (Note)	**2,012**	1,070
– release from deferred income	**455**	455
	2,467	1,525
Sales of other products	**12,579**	879
Delivery income for takeout orders	**4,969**	1,036
Others	**1,105**	322
	18,653	2,237
	30,817	16,192

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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses on disposal of property, plant and equipment, net	**(303)**	(105)
Foreign exchange (losses) gain, net	**(11,487)**	6,271
Loss on closure of restaurants	**(416)**	(547)
Reversal of impairment loss on rental deposits	**873**	115
Gains from changes in fair value of financial assets designated as at fair value through profit or loss ("FVTPL")	**17,623**	10,425
	6,290	16,159

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**68,955**	56,868
Amortization of intangible assets	**273**	351
Release of lease prepayments for land use right	**267**	267
Total depreciation and amortization	**69,495**	57,486
Operating lease rentals in respect of		
– rented premises (minimum lease payments)	**6,876**	5,592
– restaurants		
– minimum lease payments	**172,210**	156,021
– contingent rent*	**24,407**	13,867
	196,617	169,888
Total property rentals and related expenses	**203,493**	175,480

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

6. PROFIT BEFORE TAX *(CONTINUED)*

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' emoluments	**4,427**	2,952
Other staff cost		
Salaries and other allowance	**351,482**	271,934
Equity-settled share-based payments	**2,502**	1,060
Retirement benefit contribution	**25,946**	22,429
Total staff cost	**384,357**	298,375

* 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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Enterprise income tax ("EIT")		
Current tax in the PRC	**69,442**	49,229
Withholding EIT-current period	**6,711**	5,788
Under provision in prior years	**–**	3,211
Deferred tax	**(17,129)**	(14,171)
Total income tax recognized in profit or loss	**59,024**	44,057

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.

7. INCOME TAX EXPENSE *(CONTINUED)*

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%.

Under the EIT Law, withholding tax is also imposed on dividends declared and paid to non-PRC resident in respect of profits earned by a PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB878 million as at 30 June 2017 (as at 31 December 2016: RMB726 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

8. DIVIDENDS

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognized as distributions during the period	**91,582**	57,720

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.

On 28 March 2017, the Company declared a dividend of RMB0.086 per share with total dividends of RMB91,582,000 to shareholders for the year ended 31 December 2016. The dividend was paid in June 2017.

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 30 June 2017 of RMB0.070 per share, amounting to approximately RMB75,282,000 has been declared by the directors of the Company. The interim dividend in respect of the six months ended 30 June 2017 will be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hong Kong and Shanghai Banking Corporation Limited as its middle rate of exchange prevailing on 18 September 2017. 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 for the period is as following:

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**188,205**	139,401

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	
	2017	2016
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,067,629**	1,064,673
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**11,196**	5,978
Non-vested shares under the RSU Scheme	**1,205**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,080,030**	1,070,651

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, additions to the property, plant and equipment amounted to RMB117,086,000 (six months ended 30 June 2016: RMB42,479,000) consisting of leasehold improvement, machinery, motor vehicles, furniture and fixtures and construction in progress.

11. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Listed investments:		
Debt securities listed in HKEX (Note)	**51,157**	52,758
Analysed for reporting purposes as:		
Current	**51,157**	17,687
Non-current	**–**	35,071
	51,157	52,758

Note:

The listed debentures, amounting to RMB16,978,000 and RMB34,179,000 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	Impairment of leasehold improvement RMB'000	Accrued expense not paid RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2016 (Audited)	5,098	669	–	41,938	24	47,729
Charge (credit) to profit or loss	(1,073)	(36)	–	15,280	–	14,171
As at 30 June 2016 (Unaudited)	4,025	633	–	57,218	24	61,900
Charge (credit) to profit or loss	186	(589)	484	16,723	–	16,804
As at 31 December 2016 (Audited)	4,211	44	484	73,941	24	78,704
Charge (credit) to profit or loss	(320)	(26)	(225)	17,700	–	17,129
At 30 June 2017 (Unaudited)	**3,891**	**18**	**259**	**91,641**	**24**	**95,833**

13. INVENTORIES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Food and beverage	**122,102**	98,141
Other materials	**14,869**	16,020
Consumables	**12,682**	10,354
	149,653	124,515

14. TRADE AND OTHER RECEIVABLES

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Trade receivables	**7,527**	11,888
Prepaid operating expenses	**34,398**	27,865
Prepayments to suppliers	**943**	3,727
Current portion of lease prepayments for land use right	**534**	534
Interest receivable	**3,447**	8,673
Amounts prepaid to the RSU Trustee for purchase of ordinary shares (Note 18)	**721**	10,037
Prepayments for value-added tax	**42,381**	26,740
Other receivables	**6,935**	6,883
	96,886	96,347

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

14. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

The following is an aged analysis of trade receivables presented based on the invoice date:

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 60 days	**7,388**	11,888
61 to 180 days	**82**	–
181 days to 1 year	**57**	–
	7,527	11,888

15. SHORT-TERM INVESTMENTS

As at 30 June 2017, the Group's short-term investments amounted to RMB972.1 million in aggregate represent the investments in financial products issued by the banks with no predetermined nor guaranteed return and no principal protected. The investment has been designated at fair value through profit or loss. The short-term investments as at 30 June 2017 will be matured from July to November 2017.

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 2016 and 2017.

16. TRADE PAYABLES

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 60 days	**194,296**	163,559
61 to 180 days	**914**	964
181 to 1 year	**583**	1,930
Over 1 year	**893**	907
	196,686	167,360

17. ACCRUAL AND OTHER PAYABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Construction fee payables	**100,511**	95,808
Staff cost payable	**93,187**	102,045
Accrued operating expenses	**38,653**	39,590
Rental payables	**32,682**	31,446
Deposits from suppliers	**24,944**	19,910
Other tax payables	**23,464**	19,509
Advance from customers	**7,319**	760
Others	**41,276**	32,532
	362,036	341,600

18. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(1) Share Option Schemes

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

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

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

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

	Number of share options
Outstanding as at 1 January 2017	**22,675,624**
Forfeited during the period	**(1,715,860)**
Exercised during the period	**(3,090,533)**
Outstanding as at 30 June 2017	**17,869,231**

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

The Group recognised the total expense of RMB1,217,000 for the period ended 30 June 2017 (six months ended 30 June 2016: RMB2,055,000) in relation to share options granted by the Company.

18. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

(2) 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.

i. Purchase of treasury share under the RSU Scheme

During the six months ended 30 June 2017, the Company acquired its existing shares of 1,498,000 (six months ended 30 June 2016: 5,133,500 shares) from the market with consideration of HK$10,540,000 (six months ended 30 June 2016: HK$16,891,000), equivalent to approximately RMB9,191,000 (six months ended 30 June 2016: RMB14,277,000). 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").

18. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

i. Purchase of treasury share under the RSU Scheme *(CONTINUED)*

During the period ended 30 June 2017, the Company purchased its own shares as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$'000
January	118,000	4.90	4.90	580
June	1,380,000	7.20	7.19	9,960

As at 30 June 2017, amounts about RMB721,000 (as at 31 December 2016: RMB10,037,000) were held by the RSU Trustee to purchase ordinary shares from the market in the forthcoming period according to the instruction of the Company.

ii. Details of granted RSUs

On 17 November 2016, one director, one key management personnel and 13 employees of the Group were granted RSUs with an aggregate of 2,910,920 shares.

The closing price of the shares on the HKEX as at the date of grant of the RSUs is HK$4.83 per share.

The newly granted RSUs shall vest as follows:

(i) as to 25% of the RSUs on 1 April 2018;
(ii) as to 25% of the RSUs on 1 April 2019;
(iii) as to 25% of the RSUs on 1 April 2020; and
(iv) as to the remaining 25% of the RSUs on 1 April 2021.

On 8 May 2017, two directors, one key management personnel and 19 employees of the Group were granted RSUs with an aggregate of 3,993,190 shares.

18. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

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

ii. Details of granted RSUs *(CONTINUED)*

The closing price of the shares on the HKEX as at the date of grant of the RSUs is HK$6.99 per share.

The newly granted RSUs shall vest as follows:

(i) as to 25% of the RSUs on 1 April 2019;
(ii) as to 25% of the RSUs on 1 April 2020;
(iii) as to 25% of the RSUs on 1 April 2021; and
(iv) as to the remaining 25% of the RSUs on 1 April 2022.

The grantees of the RSUs are not required to pay for the grant of any RSUs under the RSU Scheme or for the exercise of the RSUs. The RSUs shall be exercisable over a period of ten years commencing from the date on which the RSUs are granted.

iii. The movement of the Company's RSUs granted

The following table discloses the movement of the Company's RSUs granted to the selected participants for the period ended 30 June 2017 and outstanding at 30 June 2017:

	Number of Awarded Shares			
	Outstanding at 1 January 2017	**Granted during the period**	**Forfeited during the period**	**Outstanding at 30 June 2017**
RSU tranches				
RSUs granted to				
Directors	1,273,859	1,971,934	–	3,245,793
Other key management personnel	741,164	654,075	–	1,395,239
Other staff	895,897	1,367,181	(169,798)	2,093,280
Total	2,910,920	3,993,190	(169,798)	6,734,312

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

The Group recognised the total expense of RMB3,693,000 for the period ended 30 June 2017 (six months ended 30 June 2016: Nil) in relation to RSUs granted by the Company.

19. SHARE CAPITAL

Issued and fully paid-up:

	As at 30 June 2017 USD'000 (Unaudited)	As at 31 December 2016 USD'000 (Audited)
Share capital of USD0.000025 each	**27**	27

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Represented as:		
Ordinary shares	**173**	172

	As at 30 June 2017 '000 (Unaudited)	As at 31 December 2016 '000 (Audited)
Number of shares:		
Fully paid ordinary shares	**1,069,002**	1,065,912

Ordinary shares

	Authorized shares		**Issued capital**	
	Number of shares '000	**Amount RMB'000**	**Number of shares '000**	**Amount RMB'000**
Balance at 1 January 2017 (Audited)	2,000,000	336	1,065,912	172
Exercise of issued share option	–	–	3,090	1
Balance at 30 June 2017 (Unaudited)	2,000,000	336	1,069,002	173

20. 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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Minimum lease payments under operating leases:		
Within one year	**365,364**	338,425
In the second to fifth year	**1,006,156**	917,075
Over five years	**200,257**	202,889
	1,571,777	1,458,389

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.

21. CAPITAL COMMITMENTS

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**4,172**	5,191

22. RELATED PARTY TRANSACTIONS

a. Name and relationship

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

b. Related party transaction

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Expense on property leasing	**690**	690

c. Remuneration of key management personnel of The Group

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,562**	2,251
Post-employment benefit	**15**	22
Equity-based share-based payments	**3,186**	1,236
	4,763	3,509

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's short-term investments and AFS investments are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of short-term investments 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.

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).

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 2017	31 December 2016				
The short-term investments	**Assets 972,079**	–	Level 3	Discounted cash flow. Future cash flows are estimated based on expected return rate of the short-term investment products and discounted at a rate that reflects the credit risk of the counterparties.	Discount rates Expected return rate	The lower of the discount rates, the higher the fair value. The higher of the expected return rate, the higher the fair value.
AFS investments	**Assets 51,157**	Assets 52,758	Level 1	Quoted bid price in an active market.	N/A	N/A

A 5% decrease in the discount rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB971,000 (31 December 2016: Nil).

A 5% increase in the expected return rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB544,000 (31 December 2016: Nil)

There were no transfers between Levels 1 and 2 in the current year.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Reconciliation of level 3 fair value measurements of financial assets:

	Short-term investments RMB'000
At 1 January 2017	**–**
Total gains:	
– in profit or loss	**17,623**
Purchases	**1,875,400**
Disposals	**(920,944)**
As at 30 June 2017	**972,079**
At 1 January 2016	–
Total gains:	
– in profit or loss	10,425
Purchases	2,831,400
Disposals	(2,409,104)
As at 30 June 2016	432,721

Of the total gains for the period included in profit, RMB10,879,000 relates to financial assets designated as at FVTPL held at the end of the current reporting period. Fair value gains on financial assets designated as at FVTPL are included in "other gains and losses".

23. FAIR VALUE OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. The Group establishes the appropriate valuation techniques and inputs to the model. Where Level 1 inputs are not available, the Group applied valuation method by discounting future cash flows that are estimated based on expected recoverable amounts at rates that reflect management's best estimation of the expected risk level. The Chief Financial Officer reports the findings to the board of directors of the Company as needed to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

Fair value of the Group's financial assets and financial liabilities that are not measured on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate to their fair values, which were determined based on discount cash flow analysis.

24. SUBSEQUENT EVENT

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 30 June 2017 has been declared by the directors of the Company, details are set out in Note 8.