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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 520

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Ms. Chen Su-Yin
Mr. Zhang Chi (Ms. Li Jie as his alternate)

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 (Ms. Li Jie as his alternate)
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
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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

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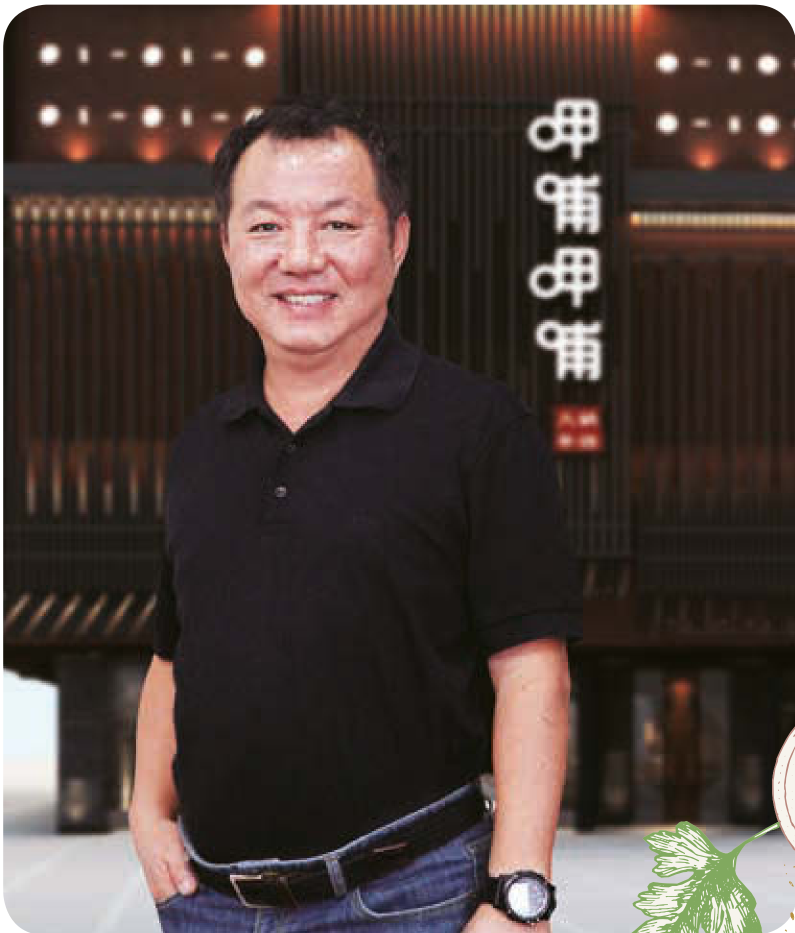
Wanchai
Hong Kong

PRINCIPAL BANKS

Bank of Communications
China Merchants Bank
Shanghai Pudong Development Bank
Fubon Bank

BUSINESS OVERVIEW AND OUTLOOK



OVERVIEW

In the first half of 2018, the Group opened 48 Xiabuxiabu restaurants and 7 Coucou restaurants. As of 30 June 2018, the Group owned and operated 780 Xiabuxiabu restaurants in 86 cities over 14 provinces and in three centrally administered municipalities, namely in Beijing, Tianjin and Shanghai, in China.

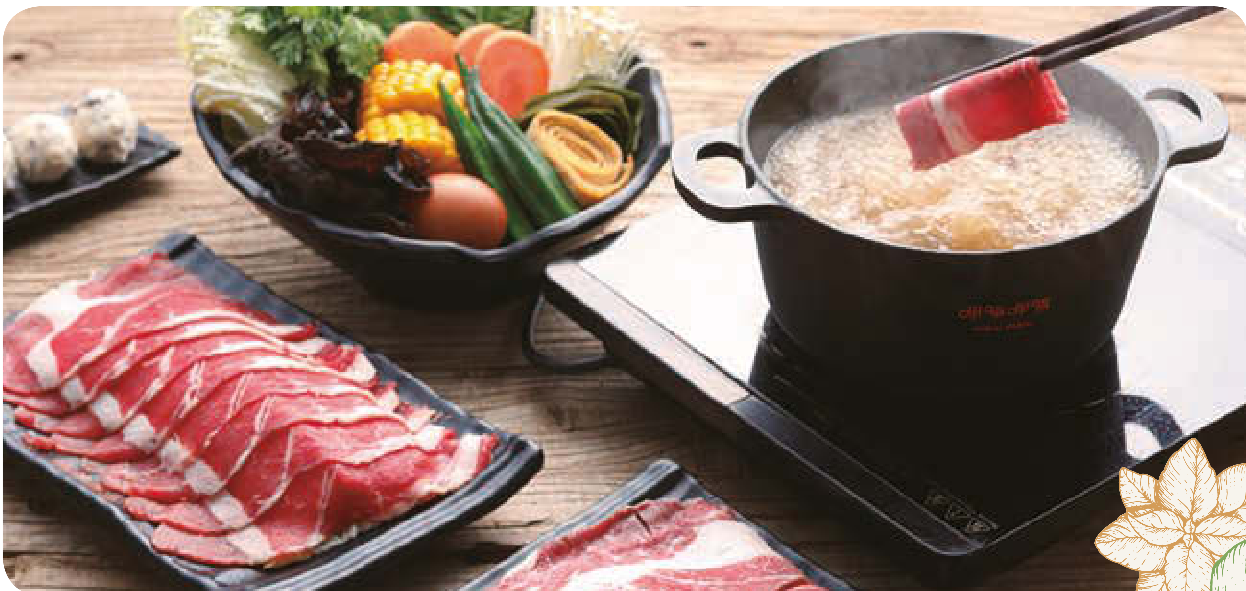
In the first half of 2018, the Group undertook a number of initiatives to upgrade its business model and enhance its financial performance, including:

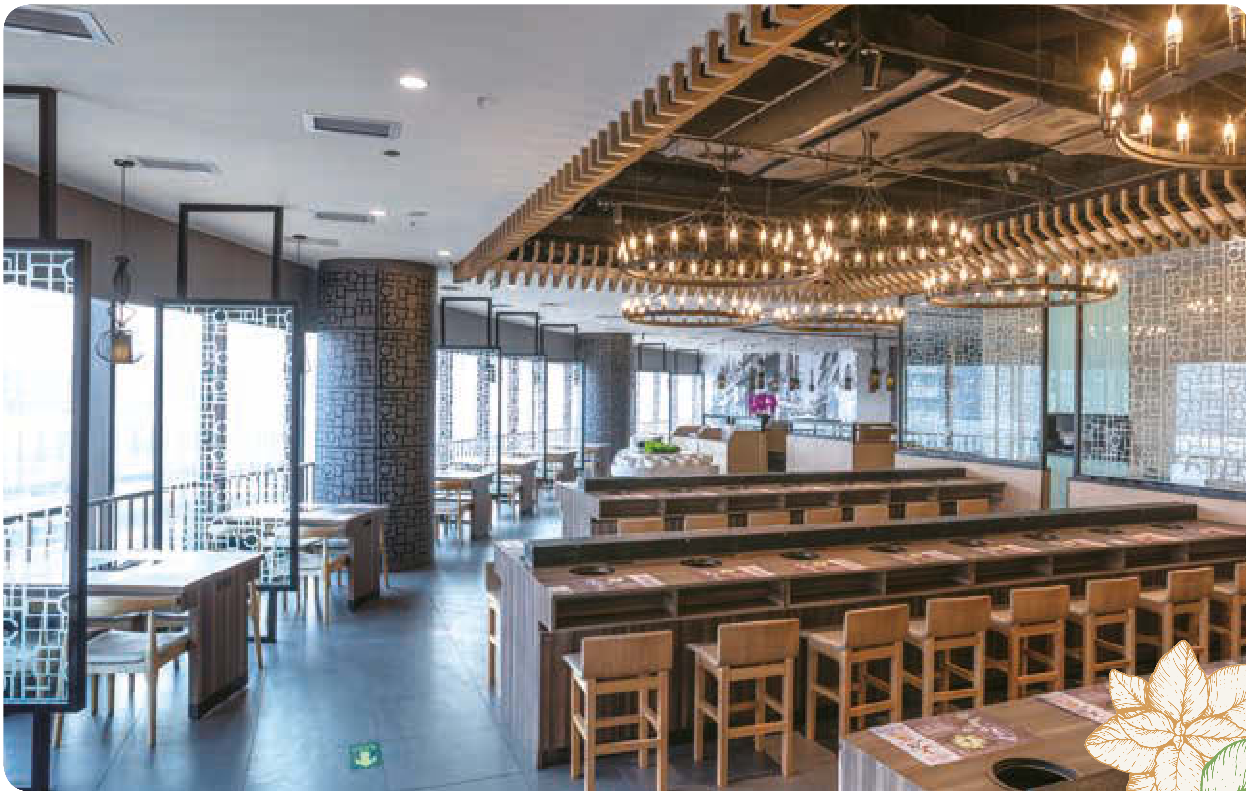
- Expansion of the "Coucou" (湊湊) brand: The Group continued to develop Coucou, a mid- to high- end casual dining brand representing a novel Taiwanese business model to target relatively affluent customers who prefer a more refined and sophisticated dining experience. The Group established the "Coucou" brand as an alternative dining solution for friends, family and business gatherings at high-end commercial complexes. Coucou restaurants feature Taiwanese favor and exquisite Taiwanese service providing a distinctive and unforgettable dining experience to our customers through a unique and elegant dining environment. As of 30 June 2018, the Group owned 28 Coucou restaurants in Jiangsu, Hubei, Shaanxi, Zhejiang provinces and three centrally administered municipalities Beijing, Shanghai and Shenzhen. The Group managed to grow its revenue generated from the Coucou restaurants by

497.3% from RMB32.8 million for the six months ended 30 June 2017 to RMB195.9 million for the six months ended 30 June 2018, primarily due to continual effort to expand the Coucou restaurant network. Restaurant level operating profit increased from a loss of RMB10.3 million for the six months ended 30 June 2017 to a profit of RMB22.8 million for the same period in 2018.

- Expansion of "Xiabu Fresh" (呷哺小鮮): The development of "Xiabu Fresh" is mainly to extend the future growth of the Xiabuxiabu restaurants by fully extending both the space and time of the operation. The delivery business is divided into hotpot delivery, as well as the delivery for ingredients. We resolve the problem in extended meal time generally required for hotpot by introducing "XiaZhuXiaTang" which promotes the instant hotpot concept, creating a new business model that allows our customers to enjoy Xiabuxiabu products in an efficient manner, anytime and anywhere. This model has quickly evolved to be a model that increases our competitive advantage against the traditional hotpot delivery model. To quickly spread the brand awareness and products of "Xiabu Fresh", we invested in a lot of marketing activities in the first half of 2018, the overall revenue generated from our delivery business increased by nearly 120% compared with the same period last year. The cities covered increased from four major cities for the same period of previous year to over 55 cities in the first and second tier cities. In the second half of 2018, we will continue to focus on driving the revenue and profit growth in the relatively mature targeted cities of the Xiabu brand and delivery, and for new emerging cities we will continue to increase customer awareness of the "Xiabu Fresh" brand and products, and lay down the foundation for our continuous growth in the future.

- Restaurant upgrade: As consumers continue to demand more premium experience, we continue to increase the number of Xiabuxiabu 2.0 restaurants. In the first half of 2018, we have upgraded our dishes, serving of meals, utensils and services. In conjunction with the upgrade, we have also launched appropriate marketing efforts accordingly. In the second half of 2018, we will continue to upgrade the restaurants through technology improvement, to bring in different dining experience to our consumers, thereby creating a more effective model to deliver profit for Xiabuxiabu.





- Brand promotion: 2018 is a strategic year to promote Xiabuxiabu brand. In addition to the restaurant upgrade, we are committed to focus on promoting the brand, especially in terms of promoting our quality. At present, the millenials have become the mainstream consumers, they are more focused on quality and overall experience. In order to enable more consumers to truly understand and enjoy Xiabuxiabu's premium quality ingredients, in particular, we have carried out marketing activities to promote the high-quality ingredients such as Ximeng Lamb. For example, we have launched promotion campaign such as "price back to 20 years ago", which allowed consumers to fully experience and taste the premium beef and lamb products at a reasonable price, especially to understand the quality taste of Xiabuxiabu's classic product-Ximeng Lamb, consolidating the foundations for the sustainable development of Xiabuxiabu's quality and brand.

- 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 7 million followers and over 5 million active members as of 30 June 2018.

- 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.

INDUSTRY REVIEW

In the first half of 2018, although the external economy was still uncertain, domestic economy was relatively stable, under structural readjustment and upgrade, the economy progressed stably. GDP grew at a rate of 6.8%, and actual per capita disposable income of urban and rural areas grew by 6.6%, basically in line with economic growth. Consumer price index rose by 2%. Structural optimization and upgrade of tertiary industry grew fast, the contribution from service industry to economic growth was also increasing. China's domestic innovation continues to develop, from the perspective of new demand, new consumption, service consumption is still accelerating quickly. But there had been higher pursuit for higher quality and efficiency enhancement at the same time. In the first half of this year, according to the requirements of green development and ecological construction, the year-on-year energy consumption per RMB10,000 GDP dropped by 3.2%.

From the perspective of catering, in 2017, national catering revenue reached RMB3,964.4 billion, an increase of 10.7% over the same period last year. In the first half of 2018, the food and beverage industry revenue reached RMB1,945.7 billion and still maintained a 9.9% growth rate. The expansion in domestic demand and promoting consumption had benefited people's livelihood. Judging from the top 100 of China's catering industry, under the reshuffle of the market, catering market that appealed to the mass public is still driving the industry in the first half of 2018.

OPERATIONAL HIGHLIGHTS

Overall Business and Financial Performance

The Group's restaurant network

In the first half of 2018, the Group opened 48 Xiabuxiabu restaurants and 7 Coucou restaurants. In addition, the Group closed a total of 6 Xiabuxiabu restaurants in the first half of 2018 due to commercial reasons. A substantial portion of the Group's restaurant revenue and restaurant operating profit were derived from Xiabuxiabu restaurants. 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 2018		As of 31 December 2017	
	#	**%**	#	%
Beijing	**288**	**36.9**	282	38.2
Shanghai	**49**	**6.3**	50	6.8
Tianjin	**74**	**9.5**	66	8.9
Hebei(1)	**135**	**17.3**	130	17.6
Northeast China(2)	**78**	**10.0**	75	10.2
Other regions(3)	**156**	**20.0**	135	18.3
Total	**780**	**100.0**	738	100.0

(1) Including 16 cities in Hebei Province.

(2) Including 19 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 51 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui, Hunan 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	
	2018	2017
Net Revenue (in RMB thousands)		
Beijing	**912,314**	830,454
Shanghai	**103,532**	95,714
Tianjin	**141,623**	122,970
Hebei[2]	**314,745**	242,548
Northeast China[3]	**180,212**	107,139
Other regions[4]	**255,092**	140,298
Total	**1,907,518**	1,539,123
Average spending per customer (RMB)[1]		
Beijing	**53.9**	48.3
Shanghai	**51.8**	49.1
Tianjin	**51.4**	46.6
Hebei[2]	**50.9**	45.3
Northeast China[3]	**49.6**	45.5
Other regions[4]	**50.4**	45.6
Total	**52.2**	47.2
Seat turnover rate (X)[5]		
Beijing	**3.6**	3.8
Shanghai	**2.6**	2.6
Tianjin	**2.5**	2.9
Hebei[2]	**2.7**	2.9
Northeast China[3]	**2.7**	2.6
Other regions[4]	**1.9**	2.2
Total	**2.8**	3.1

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

(2) Including 16 cities in Hebei Province.

(3) Including 19 cities in Heilongjiang, Jilin and Liaoning Provinces.

(4) Including 51 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui, Hunan 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.

In the first half of 2018, 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, with the Group's revenue generated from restaurants outside Beijing exceeding 50% of the Group's total revenue for the six months ended 30 June 2018. Meanwhile, in the first half of 2018, average customer spending had increased from RMB47.2 in 30 June 2017 to RMB52.2 for the same period in 2018.

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

	For the six months ended 30 June		For the six months ended 30 June	
	2017	**2018**	2016	2017
Number of same-store (#)				
Beijing	**263**		241	
Shanghai	**50**		41	
Tianjin	**55**		46	
Hebei(1)	**109**		86	
Northeast China(2)	**54**		27	
Other regions(3)	**83**		50	
Total	**614**		491	
Same-store sales (in RMB millions)				
Beijing	**741.2**	**791.3**	677.6	720.1
Shanghai	**77.5**	**88.5**	73.1	83.5
Tianjin	**107.0**	**110.6**	91.3	94.9
Hebei(1)	**220.5**	**247.1**	175.7	191.8
Northeast China(2)	**95.4**	**103.5**	37.4	41.8
Other regions(3)	**130.4**	**131.4**	70.3	73.9
Total	**1,372.0**	**1,472.4**	1,125.4	1,206.0
Same-store sales growth (%)				
Beijing	**6.8**		6.3	
Shanghai	**14.2**		14.2	
Tianjin	**3.4**		4.0	
Hebei(1)	**12.1**		9.1	
Northeast China(2)	**8.5**		11.7	
Other regions(3)	**0.8**		5.2	
Total	**7.3**		7.2	

(1) Including 16 cities in Hebei Province.

(2) Including 19 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 51 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui, Hunan and Hubei Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

BUSINESS OVERVIEW AND OUTLOOK

In the first half of 2018, the Group's nationwide same-store sales was 7.3%, which remained relatively stable as compared to the first half of 2017, primarily due to restaurant upgrade, change in product mix, menu price increase, effective promotion campaign and increase in the sales of delivery.

OUTLOOK

Business Outlook

In 2018, with the increase of public income and the expansion of the of middle-income class, millennials are willing to pay more attention to the quality of products and services, and catering consumption structure accelerated to diversification, specialization and brand upgrading. Catering consumption has gradually changed from price-oriented to brand-oriented.

For these reasons, the Group intends to implement the following measures:

- *Brand red line:* Always adhere to "quality comes from persistence" to maintain strict food safety and quality control standards. The Group will further enforce strict control on food safety and quality control, including the following aspects: (i) continue to implement strict food safety and quality control standards system and guarantee measures are enforced at all levels, including supply chains, logistics, food processing centers and restaurants; (ii) continue to strengthen the Group's centralized purchasing management system using bulk purchase; (iii) adhere to working with reputable and high quality suppliers worldwide; (iv) reduce the intermediate parties of the supply chain and deliver them directly from suppliers or our distribution centers to restaurants; and (v) continue to self-evaluate and strictly monitor our food safety and quality control standards and measures.

- *Brand upgrade:* As our consumers are mainly millennials, they are willing to pay more attention to quality and experience, pursuing "high quality" and "good experience" spending habit. The Group also adapted to market changes, and launched the upgraded version of Xiabuxiabu 2.0 experience. It is not only an environmental upgrade, we have also upgraded our product mix, utensils, services, as well as taking advantage of applying IT into our operations. The Group expects to give consumers the best value for money along with an overall experience upgrade.

- *Brand extension:* The scale of the takeaway market is expected to continue to grow in the next three years. Based on this market capacity, the Group will continue to expand the market, not only by meeting the needs of consumers for hot pot delivery, but we also develop food ingredients delivery in response to consumers pursuit for quality ingredients. In addition, in order to make up for the demand that is out of normal delivery hours and to increase market share, the Group will continue to expand XiaZhuXiaTang business, offering the delivery of ready-to-eat food and beverage, and bring convenience to our consumers.

- *Brand coverage:* Restaurant network continues to replicate and expand. The Group will continue to expand its business based on the five-year strategic plan set forth back in 2016. In 2018, the Group plans to open no less than the number of new restaurants opened in 2017. The Group plans to consolidate our leadership in the existing market and enhance market penetration. During the process of expansion, we will continue to focus on new market research, strengthening business development, marketing strategy, operation and other collaborative efforts, to ensure continued success in our new stores at the emerging markets.

- *Brand digitalization:* In the new catering era, the integration between the online and offline has become a new trend. With the mobile Internet penetrating into the lives of residents and the emergence of the millenials as the main force of catering consumption, the demand for online ordering, e-payment on mobile phones has been growing steadily, while the demand for convenience, individualization and branding of catering consumption is also increasing. Therefore, we take advantage of online and offline integration to enhance consumer experience, to completely realize the digitization of dining experience in catering business.

- *Brand composite development:* Fully penetrate the mass market to the high-end market. Coucou is the high-end brand of the Group, mainly focusing on family and business dining. It fully demonstrates the characteristics of Taiwanese hospitality service. A Taiwanese dining experience with special dishes, service, ambient to create an innovative dining experience which is widely loved by consumers. Riding on its strong brand recognition and word of mouth by customers, we believe Coucou will continue to accelerate the pace of store opening, pursuing for high-quality, premium experiences, well perceived by the high-end consumer groups.

- *Brand marketing:* Enhance brand image and popularity. The Group will enhance its brand image by launching a series of online and offline marketing campaigns to enhance its brand awareness. Customer relationship management focused on marketing activities will further enhance customer loyalty. The Group also plans to take full advantage of its nearly 80 million customers traffic, and to take advantage of large data and work with well-known brands to launch joint promotion programs.

- *Brand organization guarantee:* Strengthening organization and human resources management. In order to ensure to response to the ever changing market, the Group will strengthen the responsibility system of the general managers of various markets, and encourage the general managers to be fully responsible for the relevant operations and profit management. At the same time, the Group plans to adopt a business-focused incentive mechanism, thereby improving the management capacity of major business operations managers.

- *Brand diversification:* Launching of Xiabuxiabu condiment products. In recent years, Chinese consumers are placing increasing importance on food safety and quality, health and wellness, cuisine flavor and tastes, and in particular, high-end sauce and seasoning products. In view of the strong potential of the market for these condiment products, the Company, through the establishment of its non-wholly-owned subsidiary, Xiabuxiabu (China) Food Co. Ltd. (呷哺呷哺(中國)食品有限公司), shall venture into the condiment product business, which supplements and complements the Group's principal catering service business and further strengthens the brand of the Group. It is currently anticipated that sales of condiment products shall commence in the third quarter of 2018.

2018 Industry Outlook

In the first half of this year, the major economic indicators are relatively stable. For the second half of this year, there are still many variables in the external environment, with uncertainties and challenges ahead. The continued warming of world trade protection poses a major challenge to the world economy.

Regarding economic growth in the second half of the year, China's short-term economic growth mainly depends on three major demands. Looking at the main data of the first half of this year, domestic demand is still the decisive driver of economic growth, consumption is still the pillar to support this growth, which determines whether consumption can continue to grow smoothly and rapidly in the second half of this year.

As for the catering sector, 2018 has become an important year where people's lives improved. With the increase of public income and the expansion of the scale of middle-class, the structure of catering consumption is accelerating to diversification, specialization and quality upgrade. At the same time, consumers pay more and more attention to the quality of products and services. Food and beverage consumption is gradually changing from price-oriented to brand-oriented. The millennials have gradually become the new middle class and the mainstream of catering consumers. While continue to look for better quality and food safety, they pay more attention to the overall efficiency and experience of the entire catering experience, including the increasing frequency usage of food delivery. Therefore, catering enterprises need to pay more attention to brand building, deepen brand maintenance and sustainability. This has brought the competition in the catering industry to a new level. In the second half of the year, the development mode of the catering industry will accelerate the transformation from external focus to domestic focused, from fast to quality-efficiency, and make all-round improvement from management, brand building, model innovation, technological application to a modernised supply chain. New upgrades, new experiences and new technologies have become the focus point of the catering industry. Intelligent and digital business methodology link to online and offline integration is the future of catering.

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 2017 to the six months ended 30 June 2018:

	Six months ended 30 June				Period-to-Period Change
	2018		2017		
	RMB	**%**	*RMB*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**2,129,073**	**100.0**	1,575,676	100.0	35.1
Other income	**21,141**	**1.0**	30,817	2.0	(31.4)
Raw materials and consumables used	**(791,745)**	**(37.2)**	(557,597)	(35.4)	42.0
Staff cost	**(538,310)**	**(25.3)**	(384,357)	(24.4)	40.1
Property rentals and related expenses	**(268,048)**	**(12.6)**	(203,493)	(12.9)	31.7
Utilities expenses	**(73,082)**	**(3.4)**	(55,595)	(3.5)	31.5
Depreciation and amortization	**(97,584)**	**(4.6)**	(69,495)	(4.4)	40.4
Other expenses	**(119,588)**	**(5.6)**	(95,017)	(6.0)	25.9
Other gains and losses	**27,235**	**1.3**	6,290	0.4	333.0
Profit before tax	**289,092**	**13.6**	247,229	15.7	16.9
Income tax	**(79,734)**	**(3.7)**	(59,024)	(3.7)	35.1
Profit for the period	**209,358**	**9.8**	188,205	11.9	11.2
Earnings per share					
Basic (RMB cents per share)	**19.51**		17.63		
Diluted (RMB cents per share)	**19.22**		17.43		

Revenue

The Group's revenue increased by 35.1% from RMB1,575.7 million for the six months ended 30 June 2017 to RMB2,129.1 million for the same period of 2018, primarily due to the increase in the number of the Group's Xiabuxiabu restaurants from 650 as of 30 June 2017 to 780 as of 30 June 2018, as well as the same-store sales growth of 7.3% for the six months ended 30 June 2018. In particular, net revenue generated from Xiabuxiabu restaurants increased by 23.9% from RMB1,539.1 million for the six months ended 30 June 2017 to RMB1,907.5 million for the same period of 2018. The Group opened 48 new Xiabuxiabu restaurants throughout China in the first half of 2018 to enhance the Group's restaurant network by opening stores in more desirable locations with heavy customer traffic. The Group also opened 7 new Coucou restaurants in Beijing, Hangzhou, Shanghai and Shenzhen for the six months ended 30 June 2018.

Other income

The Group's other income was RMB30.8 million for the six months ended 30 June 2017 and RMB21.1 million for the same period of 2018, primarily due to a reclassification of sales of other products from other income into revenue and as a result of (i) an increase in sale of delivery business from RMB5.0 million for the six months ended 30 June 2017 to RMB8.2 million for the same period of 2018; (ii) a government subsidy of approximately RMB6.0 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 the government subsidy was recognized; and (iii) increase in financial asset at amortised cost to RMB1.5 million for the six months ended 30 June 2018.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 42.0% from RMB557.6 million for the six months ended 30 June 2017 to RMB791.7 million for the same period of 2018 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 increased from 35.4% in the first half of 2017 to 37.2% in the first half of 2018, primarily due to the increase in the procurement cost of food ingredients and expenses concerning the sales promotion of our key ingredients as part of our quality promotion campaign.

Staff cost

The Group's staff cost increased by 40.1% from RMB384.4 million for the six months ended 30 June 2017 to RMB538.3 million for the same period of 2018, primarily due to an increase in the number of the Group's employees from 16,888 as of 30 June 2017 to 21,849 as of 30 June 2018, as well as an increase in per capita wages, which 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 24.4% in the first half of 2017 to 25.3% in the first half of 2018, which was also the result of an increase in per capita wages. For the six months ended 30 June 2018, 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 approximately 6.1% from RMB4.9 million in the first half of 2017 to RMB5.2 million in the first half of 2018.

Property rentals and related expenses

The Group's property rentals and related expenses increased by 31.7% from RMB203.5 million for the six months ended 30 June 2017 to RMB268.0 million for the same period of 2018, primarily as a result of an increase in the number of the Group's restaurants. The increase in the Group's revenue outpaced the increase in the Group's property rentals and related expenses which was mainly attributable from a number of fixed rental arrangement secured for the Group's restaurant at relatively low rent, and the Group's property rentals and related expenses decreased from 12.9% in the first half of 2017 to 12.6% in the first half of 2018 as a percentage of the Group's revenue.

Utilities expenses

The Group's utilities expenses increased by 31.5% from RMB55.6 million for the six months ended 30 June 2017 to RMB73.1 million for the same period of 2018 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 3.5% in the first half of 2017 to 3.4% in the first half of 2018.

Depreciation and amortization

The Group's depreciation and amortization increased by 40.4% from RMB69.5 million for the six months ended 30 June 2017 to RMB97.6 million for the same period of 2018, primarily as a result of an increase in the Group's property, plant and equipment as the Group continued to open new restaurants and upgrade to Xiabuxiabu 2.0. As a percentage of the Group's revenue, depreciation and amortization increased from 4.4% in the first half of 2017 to 4.6% in the first half of 2018.

Other expenses

The Group's other expenses increased by 25.9% from RMB95.0 million for the six months ended 30 June 2017 to RMB119.6 million for the same period of 2018. As a percentage of the Group's revenue, the Group's other expenses decreased slightly from 6.0% in the first half of 2017 to 5.6% in the first half of 2018. The increase in the Group's other expenses in absolute terms was primarily due to (i) an increase in advertising and other marketing expenses; (ii) an increase in logistic fee; and (iii) an increase in delivery expenses due to the expansion of Xiabu Fresh.

Other gains and losses

The Group recorded other gains of RMB27.2 million for the six months ended 30 June 2018, comprising primarily of (i) gains from changes in fair value of financial assets at fair value through profit or loss ("**FVTPL**") of RMB21.8 million and (ii) net foreign exchange gain of RMB6.4 million.

Profit before tax

As a result of the foregoing, the Group's profit before tax increased by 16.9% from RMB247.2 million for the six months ended 30 June 2017 to RMB289.1 million for the same period of 2018, and as a percentage of the Group's revenue, the Group's profit before tax decreased from 15.7% in the first half of 2017 to 13.6% in the first half of 2018.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB5.2 million incurred in the first half 2018, the Group's profit before tax would have increased by 16.7% from RMB252.1 million in the first half of 2017 to RMB294.3 million in the first half of 2018.

Income tax expense

The Group's income tax expense increased by 35.1% from RMB59.0 million for the six months ended 30 June 2017 to RMB79.7 million for the same period of 2018, primarily as a result of the increase of taxable income and such increase is in-line with the increase in revenue.

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 11.2% from RMB188.2 million for the six months ended 30 June 2017 to RMB209.4 million for the same period of 2018, and as a percentage of the Group's revenue, the Group's profit for the Reporting Period decreased from 11.9% in the first half of 2017 to 9.8% for the same period of 2018.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB5.2 million incurred in the first half of 2018, the Group's profit for the Reporting Period would have increased by 11.1% from RMB193.1 million for the six months ended 30 June 2017 to RMB214.6 million for the same period of 2018. 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. For the six months ended 30 June 2018, the Group managed to grow its revenue generated from the Coucou restaurants by 497.3% from RMB32.8 million for the six months ended 30 June 2017 to RMB195.9 million for the six months ended 30 June 2018, which accounted for approximately 9.2% of the total revenue of the Group in the first half of 2018, primarily due to continual effort to expand the Coucou restaurant network. Restaurant level operating profit turned from a loss of RMB10.3 million for the six months ended 30 June 2017 to a profit of RMB22.8 million for the same period in 2018. Xiabuxiabu restaurants continued to contribute the largest source of revenue and restaurant level operating profit for the Group. The continual expanding of restaurants was one reason that drove revenue to grow rapidly in the first half of 2018, the fast expansion in the delivery business was another reason that helped deliver the growth too. In the first half of 2018, in order to expand the delivery, we did: (i) the adding of food ingredient delivery and instant hotpot business "XiaZhuXiaTang" that clearly build up such emerging delivery business and increase our competitive advantage against the traditional hotpot delivery model; (ii) rapidly developing our geographical distribution focus, from only 5 cities in the first half of 2017 to 55 tier-one and two cities. Through the use of a huge amount of marketing activities to quickly obtain market share. At the end of the first half of this year, sales revenue from the delivery business was nearly 220% of that of the same period last year. In 2018, as we moved into the 20th anniversary of Xiabuxiabu's operation, along with approximately 50% of upgraded stores, we strategically invest in larger branding and marketing fee, to fully promote the Xiabuxiabu brand and quality, especially targeting the millennial customers who look for premium quality, to showcase our quality and highlight the advantages of our quality ingredients such as the classic Ximen lamb, allowing our customers to have the opportunity to taste the high-quality ingredients and tastes from our main product line. We helped customer to understand the upgrade is not purely to decorate our restaurants to become Internet sensation, it is a full-scale upgrade from environment to the quality of ingredients, service upgrade to help the Company to win and obtain further goodwill and market share.

Although the management, especially the branding officer, realizes that the above-mentioned marketing activities and promotion in delivery will affect the restaurant level operating profit to a certain extent, but in the long run will help Xiabuxiabu to lay down the foundation for future growth in market and goodwill exposure. This is why we need to start investing in advance, as 2018 is the strategic year where the brand and quality is well-established. In fact, in relatively matured regions the sales and profits have started to grow at a similar pace. We believe as we promote the brand more in the newly developed regions, first we will see sales growth and then eventually growth in profits will follow soon after.

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			
	2018		2017	
	RMB	**%**	*RMB*	*%*
	(In thousands, except for percentages)			
Revenue:				
Beijing	**912,314**	**47.8**	830,454	54.0
Shanghai	**103,532**	**5.4**	95,714	6.2
Tianjin	**141,623**	**7.4**	122,970	8.0
Hebei(1)	**314,745**	**16.5**	242,548	15.7
Northeast China(2)	**180,212**	**9.5**	107,139	7.0
Other regions(3)	**255,092**	**13.4**	140,298	9.1
Total	**1,907,518**	**100.0**	1,539,123	100.0
Restaurant Level Operating Profit and Margin Performance(4):				
Beijing	**234,805**	**25.7**	246,962	29.7
Shanghai	**11,012**	**10.6**	11,773	12.3
Tianjin	**23,131**	**16.3**	29,336	23.9
Hebei(1)	**74,549**	**23.7**	60,992	25.1
Northeast China(2)	**27,824**	**15.4**	18,078	16.9
Other regions(3)	**24,527**	**9.6**	16,020	11.4
Total	**395,849**	**20.8**	383,161	24.9

(1) Including 16 cities in Hebei Province.

(2) Including 19 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 51 cities in Jiangsu, Shandong, Shanxi, Henan, Shaanxi, Anhui, Hunan 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 2018, 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 54.0% in the first half of 2017 to 47.8% in the first half of 2018.

(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 expenses 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	
	2018	2017
	(In RMB thousands)	
Total comprehensive income for the period attributable to owners of the Company	**209,427**	187,869
Equity-settled share-based expenses	**5,224**	4,910
Adjusted net profit[1]	**214,651**	192,779

(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 2018, 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 2018, the Group had cash and cash equivalents of RMB344.9 million (31 December 2017: RMB1,452.9 million), which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Hong Kong dollars (as to 3.1%), Renminbi (as to 79.5%) and U.S. dollars (as to 17.4%).

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 2018, the Company utilized approximately 2.8%, or HK$29.1 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. For the rest of 2018 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**").

Financial assets at fair value through profit or loss

As of 30 June 2018, the Group had financial assets at FVTPL amounted to RMB845.4 million in aggregate (31 December 2017: nil), which mainly represented short-term 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 2018, the Company held four outstanding Financial Products issued by the Banks with an aggregate principal amount of RMB830.0 million which shall all mature by no later than 12 September 2018.

The Financial Products which the Company subscribed for during the six months ended 30 June 2018 were with a term ranging from 5 days to 181 days and an expected return rate ranging from 3.6% to 5.3% per annum. The gain the Group realized from the Financial Products during the six months ended 30 June 2018 was recorded as gains from changes in fair value of financial assets designated at financial assets at FVTPL and amounted to approximately RMB21.8 million for the six months ended 30 June 2018.

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 financial assets at FVTPL.

In view of an upside of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend, as well as 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 ("**Listing Rules**") were disclosed in the announcements of the Company dated 5 January 2018, 8 January 2018, 10 January 2018, 22 February 2018 and 25 May 2018. Save as otherwise disclosed in the aforementioned announcements and this report, there was no other single financial product 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 as of 30 June 2018.

The Group purchased additional products with an aggregate principal amount of RMB550.0 million from 1 July 2018 up to the date of this report and which remained outstanding as at the date of this report. Save as disclosed in this report, no new financial products have been purchased by the Group up to the date of this report. Details of the subscription of such financial products subsequent to the Reporting Period and which constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules were disclosed in the announcements of the Company dated 11 July 2018 and 12 July 2018, respectively.

Financial asset at amortised cost

As of 30 June 2018, the Group also hold a financial product issued by a bank with a principal amount of approximately RMB231.6 million, which is principal protected and with a guaranteed interest of 3.15% per annum, and will be matured on 17 October 2018. As this is principal protected and interest rate guaranteed, the Board considered it as time deposit with the relevant bank whilst enabling the Group to earn a higher rate of return. However, in accordance with the relevant accounting standards, such financial product is accounted for as financial asset at amortised cost.

Indebtedness

As of 30 June 2018, 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 RMB214.9 million for the six months ended 30 June 2018 in connection with new restaurant opening and re-decoration and furnishing of existing stores. For the six months ended 30 June 2017, the Group made payment for the capital expenditure of RMB110.7 million. The Group's capital expenditure in the first half of 2018 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 2018, the Group opened a total of 55 new restaurants. As of 30 June 2018, the Company did not have any charge over its assets.

Contingent liabilities and guarantees

As of 30 June 2018, 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 2018, 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 2018, the Group had a total of 21,849 employees, of which 126 employees worked at the Group's food processing facilities, 1,952 were restaurant management staff and 18,754 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 2018, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB538.3 million, representing approximately 25.3% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 11,083,238 shares (representing approximately 1.03% 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 2018. 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 2018, the RSU Trustee purchased an aggregate of 1,675,000 shares of the Company at a total cash consideration of approximately HK$23.5 million 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 2018, RSUs in respect of an aggregate of 5,458,290 shares (representing approximately 0.51% 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 2018, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange 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	41.83%
	Beneficiary of a trust	985,967	0.09%
Ms. Yang Shuling(3)	Beneficial owner	12,997,767	1.21%
	Beneficiary of a trust	1,941,362	0.18%
Ms. Chen Su-Yin(2)(4)	Interest of spouse	450,985,967	41.92%

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 7,896,738 shares and options representing 5,101,029 underlying shares granted to her under the Pre-IPO Share Incentive Plan and RSUs representing 1,941,362 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 2018, the Company had 1,075,767,746 issued shares.

(b) Interests in other members of the Group

So far as the Directors are aware, as of 30 June 2018, the following person is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	Total share capital held by the shareholder	Approximate percentage of interest
Xiabuxiabu (China) Food Holdings Co., Limited[(1)]	Mr. Ho Kuang-Chi[(2)]	US$400,000	40%

Notes:

(1) Xiabuxiabu (China) Food Holdings Co., Limited is a 60%-owned subsidiary of the Company. Xiabuxiabu (China) Food Holdings Co., Limited wholly-owns Xiabuxiabu (HK) Food Holdings Co., Limited, which in turn wholly-owns Xiabuxiabu (China) Food Co., Limited (呷哺呷哺(中國)食品有限公司). Accordingly, Mr. Ho Kuang-Chi is deemed to be interested in each of Xiabuxiabu (HK) Food Holdings Co., Limited and Xiabuxiabu (China) Food Co., Limited (呷哺呷哺(中國)食品有限公司).

(2) Ms. Chen Su-Yin is the wife of Mr. Ho Kuang-Chi and is deemed to be interested in the 40% interest in Xiabuxiabu (China) Food Holdings Co., Limited, and in turn Xiabuxiabu (HK) Food Holdings Co., Limited and Xiabuxiabu (China) Food Co., Limited (呷哺呷哺(中國)食品有限公司), which are interested by Mr. Ho Kuang-Chi under the SFO.

Save as disclosed above, as of 30 June 2018, 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 2018, the following persons (other than the Directors or the chief executive of the Company) have interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of Shares or securities held(1)	Approximate percentage of interest(5)
Ying Qi PTC Limited(2)	Trustee of a trust	450,000,000	41.83%
Ying Qi Investments Limited(2)	Beneficial owner	450,000,000	41.83%
Gap (Bermuda) Limited(3)	Interest of controlled corporation	207,000,000	19.24%
General Atlantic Genpar (Bermuda) L.P.(3)	Interest of controlled corporation	207,000,000	19.24%
General Atlantic Partners (Bermuda) II, L.P.(3)	Interest of controlled corporation	207,000,000	19.24%
General Atlantic Singapore Fund Interholdco Ltd.(3)	Interest of controlled corporation	207,000,000	19.24%
General Atlantic Singapore Fund Pte Ltd.(3)	Beneficial owner	207,000,000	19.24%
Hillhouse Capital Management, Ltd.(4)	Investment manager	57,720,500	5.37%
Gaoling Fund, L.P.(4)	Beneficial owner	55,920,000	5.20%

Notes:

(1) All interests stated are long positions.

(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 207,000,000 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) As of 30 June 2018, the Company had 1,075,767,746 issued shares.

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

Save as disclosed above, as of 30 June 2018, 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 2018 in respect of outstanding options is approximately five years and nine months. Further details of the principal terms of the Pre-IPO Share Incentive Plan are set out in the prospectus of the Company dated 5 December 2014 (the "**Prospectus**") and the 2017 Annual Report of the Company.

As of 30 June 2018, Options to subscribe for an aggregate of 11,083,238 shares (representing approximately 1.03% 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 2018, 3,308,804 Options have been exercised by the holders, no Options have been cancelled and no Option has lapsed.

Details of the movements in Options during the six months ended 30 June 2018 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 2018	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 2018
Director of the Company									
Yang Shuling	Executive Director and Chief Executive Officer	700,000	31 August 2009	0.84	350,000	15.84	–	–	350,000
		1,782,400	17 May 2011	1.79	891,200	15.94	–	–	891,200
		2,297,498	24 December 2012	1.84	1,148,748	16.14	–	–	1,148,750
		3,240,710	21 March 2014	2.78	529,631	16.28	–	–	2,711,079
		8,020,608			**2,919,579**		**–**	**–**	**5,101,029**
Senior management member of the Company									
Zhao Yi	Chief Financial Officer	**1,931,629**	21 March 2014	2.78	303,739	13.40	–	–	**1,627,890**
Other employees of the Group									
17 other employees of the Group		444,500	31 August 2009	0.84	15,750	13.66	–	–	428,750
		752,512	17 May 2011	1.79	27,684	14.00	–	–	724,828
		979,353	24 December 2012	1.84	34,709	13.91	–	–	944,644
		2,263,440	21 March 2014	2.78	7,343	14.02	–	–	2,256,097
		4,439,805			**85,486**		**–**	**–**	**4,354,319**
Total		1,144,500	31 August 2009	0.84	365,750	15.75	–	–	778,750
		2,534,912	17 May 2011	1.79	918,884	15.89	–	–	1,616,028
		3,276,851	24 December 2012	1.84	1,183,457	16.07	–	–	2,093,394
		7,435,779	21 March 2014	2.78	840,713	15.22	–	–	6,595,066
		14,392,042			**3,308,804**		**–**	**–**	**11,083,238**

Details of movements in the Options under the Pre-IPO Share Incentive Plan are also set out in Note 19 to the condensed consolidated financial statements.

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

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

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

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

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

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

Each Option granted under the Pre-IPO Share Incentive Plan has 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 2018, the remaining life of the RSU Scheme is approximately six 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 2017 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 2018, the RSU Trustee purchased an aggregate of 1,675,000 Shares at a total cash consideration of approximately HK$23.5 million on-market to hold on trust for the benefit of 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 10,506,233 Shares, representing approximately 0.98% 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 2018, RSUs in respect of an aggregate of 5,458,290 Shares, representing approximately 0.51% 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 2018 and details of the vesting period and the movements in RSUs during the six months ended 30 June 2018 are set out below:

Name of grantees of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 January 2018	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 2018
Directors of the Company								
Ho Kuang-Chi	Chairman of the Board and Executive Director	985,967	8 May 2017	–	–	–	–	985,967
Yang Shuling	Executive Director and Chief Executive Officer	1,273,859	17 November 2016	–	318,464	–	–	955,395
		985,967	8 May 2017	–	–	–	–	985,967
Sub-total		3,245,793		–	318,464	–	–	2,927,329
Employees of the Group								
22 other employees of the Group		1,257,489	17 November 2016	–	302,803	46,265	–	908,421
		1,739,442	8 May 2017	–	–	116,902	–	1,622,540
Sub-total		2,996,931		–	302,803	163,167	–	2,530,961
Total		**6,242,724**		**–**	**621,267**	**163,167**	**–**	**5,458,290**

Details of movements in the RSUs under the RSU Scheme are also set out in Note 19 to the condensed 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.

THE SUBSIDIARY SHARE OPTION SCHEMES

On 25 May 2018, three subsidiary share option schemes ("**Subsidiary Share Option Schemes**"), namely the share option scheme for each of the three wholly-owned PRC operating subsidiaries of the Company, namely Coucou Restaurant Management Co., Ltd. (湊湊餐飲管理有限公司) ("**Coucou**"), Xiabuxiabu Restaurant Management Co., Ltd. (呷哺呷哺餐飲管理有限公司) ("**Xiabu Beijing**") and Xiabuxiabu Restaurant Management (Shanghai) Co., Ltd. (呷哺呷哺餐飲管理(上海)有限公司) ("**Xiabu Shanghai**", together with Coucou and Xiabu Beijing, the "**Operating Subsidiaries**"), were approved and adopted by the shareholders of the Company at the extraordinary general meeting. The three Subsidiary Share Option Schemes are on substantially similar terms and are designed to provide respective employees of each of the three Operating Subsidiaries with the opportunity to acquire proprietary interests in the relevant Operating Subsidiary, which will retain the grantees of such options and encourage them to work towards enhancing the value of the Operating Subsidiaries, and for the benefit of the Company as a whole. As at the date of this report, none of the Operating Subsidiaries has adopted any other share option scheme.

The equity interest to be issued upon the exercise of the options granted under the Subsidiary Share Option Schemes will be equity interest in the relevant Operating Subsidiary but not the shares of the Company. Under the terms of the Subsidiary Share Option Schemes, the exercise price of each option is to be determined by the respective board of the Operating Subsidiary based on its net asset value and registered capital, but shall not be less than the nominal value of a unit of equity interest in the respective Operating Subsidiary. Factors of consideration may include years of service, position, level of responsibilities, etc.

Under the Subsidiary Share Option Schemes, the Operating Subsidiaries shall, subject to the grantee having fulfilled the terms and conditions of the options (if any), redeem and cancel a particular option by paying the grantee in cash such amount as determined based on the formula stated in the relevant Subsidiary Share Option Scheme, or in the same number of shares of the Company which the grantee is entitled to purchase from secondary market utilizing the cash from the redemption and cancellation of option. The option to be granted under the Subsidiary Share Option Schemes shall have an exercise period of 10 years from the date of grant of the option, or on the date falling one month prior to the lodgement of an application with the relevant stock exchange for listing of the shares of the relevant Operating Subsidiary, whichever is earlier.

The total amount of equity interest which may be issued upon exercise of all options to be granted under each Subsidiary Share Option Scheme and all other share option schemes of the relevant Operating Subsidiary shall not exceed 4% of the equity interest in issue as at the approval date of the Subsidiary Share Option Scheme, subject to a refresher of such scheme mandate limit. The total options granted under a Subsidiary Share Option Scheme to a director, chief executive or substantial shareholder of any of the Operating Subsidiaries or of the Company or any of their respective associates (as such terms are defined in the Listing Rules) in any 12-month period shall not exceed 1% of the relevant class of securities of the relevant Operating Subsidiary in issue unless prior approval of the independent non-executive directors of the Company is obtained. In addition, the total options granted under a Subsidiary Share Option Scheme to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates (as such term is defined in the Listing Rules) in any 12-month period shall not exceed 0.1% of the relevant class of securities of the relevant Operating Subsidiary in issue nor have an aggregate net asset value, assuming such options were exercised, based on the latest audited accounts of the Operating Subsidiary, in excess of HK$5 million (or such other amount as may from time to time be specified by the Stock Exchange).

The Subsidiary Share Option Schemes shall be valid and effective for a period of five years from the date of adoption of the Subsidiary Share Option Schemes or upon listing of the relevant Operating Subsidiary. As of 30 June 2018, the remaining life of the Subsidiary Share Option Schemes is approximately four years and eleven months.

As of June 30, 2018, no option has been granted pursuant to any of the Subsidiary Share Option Schemes.

Further details of the principal terms of the Subsidiary Share Option Schemes are set out in the circular of the Company dated 7 May 2018.

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 2018.

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 RMB0.078 per share, amounting to approximately a total of RMB83.7 million, for the six months ended 30 June 2018 (the "**2018 Interim Dividend**"), representing approximately 40% of the net profit of the Group for the six months ended 30 June 2018. The 2018 Interim Dividend is intended to be paid out of the Company's share premium account relying on the general authority to declare and pay an interim dividend for the six months ended 30 June 2018 out of the credit standing in the share premium account of the Company granted to the Directors at the annual general meeting of the Company held on 25 May 2018. The 2018 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 October 2018. 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 2018 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 2018 may or may not be paid.

The register of members of the Company will be closed from 15 October 2018 to 18 October 2018 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2018 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 12 October 2018 for registration. The 2018 Interim Dividend will be paid on 29 October 2018 to those shareholders whose names appear on the register of members of the Company on 18 October 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, 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 2018.

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. Zhang Chi. 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 2018.

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

Ms. Chang Le has resigned as an alternate director to Mr. Zhang Chi and Ms. Li Jie has been appointed as an alternate director to Mr. Zhang Chi with effect from 30 June 2018. The biography of Ms. Li Jie was set out in the announcement of the Company dated 29 June 2018.

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 2017 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 2018, the Company utilized approximately 2.8%, or HK$29.1 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 2018 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 37 to 72, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

27 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	NOTES	For the six months ended 30 June 2018 RMB'000 (Unaudited)	 2017 RMB'000 (Unaudited)
Revenue	3	**2,129,073**	1,575,676
Other income	4	**21,141**	30,817
Raw materials and consumables used		**(791,745)**	(557,597)
Staff costs		**(538,310)**	(384,357)
Property rentals and related expenses		**(268,048)**	(203,493)
Utilities expenses		**(73,082)**	(55,595)
Depreciation and amortization		**(97,584)**	(69,495)
Other expenses		**(119,588)**	(95,017)
Other gains and losses	5	**27,235**	6,290
Profit before tax	6	**289,092**	247,229
Income tax expense	7	**(79,734)**	(59,024)
Profit for the period attributable to owners of the Company		**209,358**	188,205
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Fair value loss on available-for-sale ("**AFS**") investment during the period, net of tax		**–**	(336)
Reversal of previously accumulated investment revaluation reserve upon disposal of debt instrument measured at fair value through other comprehensive income ("**FVTOCI**")		**69**	–
Total comprehensive income for the period attributable to owners of the Company		**209,427**	187,869
Earnings per share			
– basic (RMB cents per share)	9	**19.51**	17.63
– diluted (RMB cents per share)	9	**19.22**	17.43

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**As at 30 June 2018 RMB'000 (Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**687,070**	599,053
Intangible assets		**1,221**	1,119
Lease prepayments for land use right		**47,756**	48,538
Deferred tax assets		**130,100**	129,926
Rental deposits		**104,425**	86,460
		970,572	865,096
Current assets			
Inventories	11	**255,135**	326,783
Trade and other receivables and prepayments	12	**207,274**	168,052
AFS Investment		**–**	32,765
Financial assets at fair value through profit or loss ("**FVTPL**")	13	**845,415**	–
Financial asset at amortised cost	14	**231,581**	–
Bank balances and cash		**344,932**	1,452,896
		1,884,337	1,980,496
Current liabilities			
Trade payables	16	**219,839**	269,163
Accrual and other payables		**416,664**	468,625
Income tax payables		**84,594**	100,547
Contract liability	17	**24,954**	–
Deferred income		**1,595**	8,439
		747,646	846,774
Net current assets		**1,136,691**	1,133,722
Total assets less current liabilities		**2,107,263**	1,998,818

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**As at 30 June 2018 RMB'000 (Unaudited)**	As at 31 December 2017 RMB'000 (Audited)
Non-current liability			
Deferred income		**12,490**	13,287
Net assets		**2,094,773**	1,985,531
Capital and reserves			
Share capital	19	**174**	173
Reserves		**2,094,599**	1,985,358
Total equity		**2,094,773**	1,985,531

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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	AFS revaluation reserve/ FVTOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2018 (Audited)	**173**	**860,027**	**22,566**	**29,091**	**(33,747)**	**(69)**	**1,107,490**	**1,985,531**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**209,358**	**209,358**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**69**	**–**	**69**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**69**	**209,358**	**209,427**
Recognition of equity-settled share-based payments	**–**	**–**	**5,224**	**–**	**–**	**–**	**–**	**5,224**
Exercise of issued share option	**1**	**9,420**	**(3,043)**	**–**	**–**	**–**	**–**	**6,378**
Exercise of the RSU Scheme	**–**	**(1,697)**	**(1,248)**	**–**	**2,945**	**–**	**–**	**–**
Payments of dividends	**–**	**(92,785)**	**–**	**–**	**–**	**–**	**–**	**(92,785)**
Purchase of treasury share under the RSU Scheme (Note)	**–**	**–**	**–**	**–**	**(19,002)**	**–**	**–**	**(19,002)**
Balance at 30 June 2018 (Unaudited)	**174**	**774,965**	**23,499**	**29,091**	**(49,804)**	**–**	**1,316,848**	**2,094,773**
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 the RSU 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

Note:

During the six months ended 30 June 2018, the Company acquired its existing shares of 1,675,000 from the market at a consideration of HKD23,500,000 (equivalent to approximately RMB19,002,000) for 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 2017, the Company acquired its existing shares of 1,498,000 from the market at a consideration of HKD10,540,000 (equivalent to approximately RMB9,191,000) for the RSU Scheme.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	For six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**224,894**	216,450
Cash flows from investing activities		
Interest income received	**4,873**	13,050
Purchase of financial assets at FVTPL	**(1,660,000)**	(1,875,400)
Purchase of financial asset at amortised cost	**(231,581)**	–
Proceeds from disposal of financial assets at FVTPL	**836,345**	920,944
Proceeds from disposal of debt instrument at FVTOCI	**32,834**	–
Deposit paid for land use right	**–**	(24,611)
Purchases of property, plant and equipment	**(214,930)**	(110,673)
Proceeds from disposal of property, plant and equipment	**46**	73
Purchase of intangible assets	**(649)**	(62)
Net cash used in investing activities	**(1,233,062)**	(1,076,679)
Cash flow from financing activities		
Dividend paid	**(92,785)**	(91,582)
Cash received from exercise of share option	**6,378**	5,402
Amounts (prepaid to) refunded from the restricted share units ("**RSU**") trustee for purchase of ordinary shares (Note 18)	**(19,794)**	125
Net cash used in financing activities	**(106,201)**	(86,055)
Net decrease in cash and cash equivalents	**(1,114,369)**	(946,284)
Cash and cash equivalents at the beginning of the period	**1,452,896**	1,479,208
Effect of foreign exchange rate changes, net	**6,405**	(11,430)
Cash and cash equivalents at the end of the period represented by bank balances and cash	**344,932**	521,494

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 2018 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.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IAS(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group recognizes revenue from the following major sources: restaurant operations, sales of the condiment products and other goods.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for discounts and sales related taxes.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below:

Revenue from restaurant operation for which the control of services is transferred at a point in time, is recognized when the related services have been rendered to customers.

Revenue from the sales of condiment products and other goods for which the control of goods is transferred at a point in time, is recognized when the products or goods are transferred to the customer.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognized in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(continued)*

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(continued)*

The Group recognizes a refund liability if the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the Group does not expect to be entitled (i.e. amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) is updated at the end of each reporting period for changes in circumstances.

Allocation of transaction price

The Group operates a customer loyalty programme through which reward credits are granted to the customers on consuming in the restaurants that entitle them to consume by offsetting the reward credits on future purchases and consumptions in the restaurants. These reward credits provide a right to consume by offsetting the reward credits to customers that they would not receive without future purchases and consumptions in the restaurants. The reward credits are valid one-year at most after the grant of reward credits. The promise to provide the right to the customer is therefore a separate performance obligation.

The transaction price is allocated between the restaurant operation service provided and the reward credits on a relative stand-alone selling price basis. The stand-alone selling price of each reward credit is estimated based on the right to be given when the reward credits are redeemed by the customer and the likelihood of redemption, as evidenced by the Group's historical experience.

A contract liability is recognized for revenue relating to the customer loyalty programme at the time of the initial sales transaction. Revenue from the customer loyalty programme is recognized when the reward credits are redeemed by the customer. Revenue for reward credits that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

Prepaid cards issued by the Group, which can be utilized in the future consumption in restaurants by the customers, are recognized as contract liabilities.

Advance from customers for which the services have not been rendered are recognized as liabilities until the relevant services are performed and was classified as contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers *(continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15

The impact of transition to IFRS 15 on retained profits at 1 January 2018 and the impact of applying IFRS 15 on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period is immaterial.

The following adjustments were made to the amounts recognized in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Carrying amounts under IFRS 15 at 1 January 2018 RMB'000
Current liabilities			
Contract liability	–	17,215	17,215
Deferred income	8,439	(6,844)	1,595
Accrual and other payables	468,625	(10,371)	458,254

At the date of initial application, included in the total deferred income and accrual and other payables, RMB6,844,000 related to the customer loyalty programme and RMB10,371,000 related to prepaid cards and advance from customers, were reclassified to contract liabilities upon application of IFRS 15.

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Note As reported RMB'000	Reclassification RMB'000	Amounts without application of IFRS 15 RMB'000
Current liabilities			
Contract liability	24,954	(24,954)	–
Deferred income	1,595	9,012	10,607
Accrual and other payables	416,664	15,942	432,606

As at 30 June 2018, contract liability represent the balance of unredeemed performance obligation relating to the customer loyalty programme and prepaid cards and advance from customers.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Classification and measurement of financial assets *(continued)*

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognized in profit or loss. All other changes in the carrying amount of these debt instruments are recognized in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognized in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Classification and measurement of financial assets *(continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model *(continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model *(continued)*

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group considers that default has occurred when the instrument is past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of nature of financial instruments, past-due status and nature of collaterals for receivables.

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(continued)*

Impairment under ECL model *(continued)*

Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, other receivables and financial asset at amortised cost where the corresponding adjustment is recognized through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognized in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	AFS investment RMB'000	Debt instrument at FVTOCI RMB'000
Closing balance at 31 December 2017 – IAS 39 (audited)	32,765	–
Effect arising from initial application of IFRS 9:		
Reclassification		
From AFS investment	(32,765)	32,765
Opening balance at 1 January 2018 (unaudited)	–	32,765

2. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments *(continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(continued)*

Available-for-sale investment

From AFS debt investment to FVTOCI

At the date of initial application of IFRS 9, the Listed debt instrument with a fair value of RMB32,765,000 was reclassified from AFS investment to debt instrument at FVTOCI, as this investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling of this asset and the contractual cash flow of this investment is solely payment of principal and interest on the principal amount outstanding. Related fair value loss of RMB69,000 continued to accumulate in the FVTOCI reserve as at 1 January 2018.

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the credit-quality level of the counterparties. The credit risk on the trade receivables had not increased significantly since the initial recognition.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, bank balances and cash and financial asset at amortised cost, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

The Group's debt instrument at FVTOCI is listed debt instrument that is graded in the top credit rating among rating agency. Therefore, this investment is considered to be low credit risk investment and the loss allowance is measured on 12m ECL basis.

As at 1 January 2018, the Group's average loss rate when considering the impairment of financial assets is insignificant, and no additional credit loss allowance was recognized.

Except as described above, the application of other amendments to IFRSs in the current interim period has had no material effect on the amounts reported 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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Restaurant operations	**2,097,866**	1,570,636
Sales of the condiment products	**17,222**	5,040
Sales of other goods	**13,985**	–
	2,129,073	1,575,676

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	**2,920**	5,919
– debt instrument at FVTOCI	**933**	–
– AFS investments	**–**	1,905
– financial asset at amortised cost	**1,450**	–
	5,303	7,824
Promotion service income	**140**	1,873
Government grant		
– subsidy received (Note)	**5,211**	2,012
– release from deferred income	**798**	455
	6,009	2,467
Sales of other products	**–**	12,579
Delivery income for takeout orders	**8,168**	4,969
Others	**1,521**	1,105
	9,689	18,653
	21,141	30,817

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses on disposal of property, plant and equipment, net	**(511)**	(303)
Foreign exchange gain (losses), net	**6,405**	(11,487)
Loss on closure of restaurants	**(362)**	(416)
Impairment loss recognized in respect of leasehold improvement	**(1,656)**	–
Gains from changes in fair value of financial assets at FVTPL	**21,760**	17,623
Loss from disposal of debt instrument at FVTOCI	**(69)**	–
Others	**1,668**	873
	27,235	6,290

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**96,256**	68,955
Amortization of intangible assets	**547**	273
Release of lease prepayments for land use right	**781**	267
Total depreciation and amortization	**97,584**	69,495
Operating lease rentals in respect of		
– rented premises (minimum lease payments)	**8,406**	6,876
– restaurants		
– minimum lease payments	**223,163**	172,210
– contingent rent (Note)	**36,479**	24,407
	259,642	196,617
Total property rentals and related expenses	**268,048**	203,493
Directors' emoluments	**4,697**	4,427
Other staff cost		
– Salaries and other allowance	**494,560**	351,482
– Equity-settled share-based payments	**2,493**	2,502
– Retirement benefit contribution	**36,560**	25,946
Total staff cost	**538,310**	384,357

Note:

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Enterprise income tax ("**EIT**")		
Current tax in the PRC	**71,518**	69,442
Withholding EIT – current period	**8,390**	6,711
Deferred tax	**(174)**	(17,129)
Total income tax recognized in profit or loss	**79,734**	59,024

8. DIVIDENDS

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognized as distributions during the period	**92,785**	91,582

On 21 March 2018, the Company declared a dividend of RMB0.087 per share with total dividends of RMB92,785,000 to shareholders for the year ended 31 December 2017. The dividend was paid in June 2018.

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 2018 of RMB0.078 per share, amounting to approximately RMB83,743,000 to be paid out of the Company's share premium account has been declared by the directors of the Company. The interim dividend in respect of the six months ended 30 June 2018 is declared in RMB 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 Hong Kong and Shanghai Banking Corporation Limited as its middle rate of exchange prevailing on 18 October 2018. 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	
	2018	2017
	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	**209,358**	188,205

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	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,072,816**	1,067,629
Effect of dilutive potential ordinary shares	**16,608**	12,401
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,089,424**	1,080,030

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2018, additions to the property, plant and equipment amounted to RMB185,384,000 (six months ended 30 June 2017: RMB117,086,000) consisting of leasehold improvement, machinery, motor vehicles, furniture and fixtures and construction in progress.

An impairment loss of RMB1,656,000 (six months ended 30 June 2017: Nil) was recognized during the current interim period in respect of leasehold improvement that may suffer an impairment loss. An elimination of impairment loss of RMB1,103,000 was recognized because of the closure of the relevant restaurants (six months ended 30 June 2017: RMB1,136,000).

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For the six months ended 30 June 2018

11. INVENTORIES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Food and beverage	**216,943**	286,435
Other materials	**21,114**	23,164
Consumables	**17,078**	17,184
	255,135	326,783

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Trade receivables	**19,476**	13,854
Prepaid rental expense	**44,932**	44,071
Prepayments to suppliers	**899**	–
Current portion of lease prepayments for land use right	**1,077**	1,077
Interest receivable	**7,771**	7,341
Amounts prepaid to the RSU Trustee for purchase of ordinary shares (Note 18)	**1,805**	1,013
Prepayments for value-added tax	**116,227**	85,588
Other receivables	**15,087**	15,108
	207,274	168,052

The Group allows an average credit period of 1-60 days to its trade customers.

12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(CONTINUED)*

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 60 days	**19,476**	13,854

Details of the impairment assessment are set out in Note 15.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2018, the Group's financial assets at FVTPL amounting to RMB845,415,000 are the financial products issued by banks, which are short-term investments with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets.

14. FINANCIAL ASSET AT AMORTISED COST

As at 30 June 2018, the Group's financial asset at amortised cost, amounting to RMB231,581,000 is the financial product issued by a bank with principal protected and interest rate guaranteed at 3.15% per annum, and will be matured on 17 October 2018. Details of the impairment assessment are set out in Note 15.

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed consolidated statement of financial position as of 30 June 2018 (including trade receivables, other receivables, financial asset at amortised cost, bank balances and cash).

The directors of the Company considers (i) trade receivables in connection with bills settled through payment platforms such as Unionpay, Alipay or WeChat Pay with high credit rating and no past due history; (ii) financial asset at amortised cost with a high credit rating and secured by high-credit-quality commercial banks during the reporting period and (iii) bank balances and cash that are deposited with high-credit-quality banks or financial institutions to be low credit risk financial assets. The management of the Group considers these assets are short-term in nature and does not expect any losses from non-performance by these counterparties, and accordingly, no loss allowance was recognized during the reporting period.

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and the future prospects of the industries and/or considered various external sources of actual and forecast economic information, as appropriate. The management of the Group has assessed that other receivables have not had a significant increase in credit risk since initial recognition and credit risk inherent in the Group's outstanding other receivables is insignificant. Accordingly, no 12m ECL has been recognized.

There has been no change in the estimation techniques or significant assumptions made throughout the reporting period.

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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Within 60 days	**211,135**	262,946
61 to 180 days	**2,580**	3,371
181 to 1 year	**3,567**	1,928
Over 1 year	**2,557**	918
	219,839	269,163

17. CONTRACT LIABILITY

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Customer loyalty programme (Note i)	**9,012**	–
Prepaid cards and advance from customers (Note ii)	**15,942**	–
	24,954	–

Notes:

i. The contract liability of customer loyalty programme was issued in January 2017, and recognized along with the restaurant services provided during each reporting period. As at 30 June 2018, the balance of RMB9,012,000 (as at 31 December 2017: RMB6,844,000) presents the unredeemed performance obligation relating to the customer loyalty programme.

ii. The prepaid cards and advance from customers of the Group are refundable. However, no material refund liabilities were recognized during each reporting period since the management of the Group expects the amounts to be refunded in the future reporting periods is insignificant.

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 2018	14,392,042
Exercised during the period	3,308,804
Outstanding as at 30 June 2018	11,083,238

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 recognized in profit or loss, with a corresponding adjustment to the equity-settled share-based payments reserve.

The Group recognized the total expense of RMB644,000 for the period ended 30 June 2018 (six months ended 30 June 2017: RMB1,217,000) 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 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 2018, the Company acquired its existing shares of 1,675,000 (six months ended 30 June 2017: 1,498,000 shares) from the market with consideration of HKD23,500,000 (six months ended 30 June 2017: HKD10,540,000), equivalent to approximately RMB19,002,000 (six months ended 30 June 2017: RMB9,191,000). 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**").

During the period ended 30 June 2018, the Company purchased its own shares as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid
		Highest HKD	Lowest HKD	HKD'000
March	517,000	15.22	14.84	7,810
May	1,158,000	13.82	13.42	15,690

As at 30 June 2018, amounts about RMB1,805,000 (as at 31 December 2017: RMB1,013,000) were held by the RSU Trustee to purchase ordinary shares from the market in the forthcoming period according to the instruction of the Company.

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

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

ii. Details of granted RSUs

RSUs tranche	Number of options granted	Grant date	Expiry date	Fair value at grant date HKD	Vesting period
RSUs tranche A	2,910,920	17/11/2016	17/11/2026	4.83	25% for each of 4 years after 01/04/2018
RSUs tranche B	3,993,190	08/05/2017	08/05/2027	6.99	25% for each of 4 years after 01/04/2019

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.

The following table discloses the movement of the Company's RSUs granted to the selected participants for the period ended 30 June 2018 and outstanding at 30 June 2018:

	Number of Awarded Shares			
	Outstanding at 1 January 2018	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2018
RSU tranches				
RSUs granted to				
Directors	3,245,793	(318,464)	–	**2,927,329**
Other key management personnel	1,395,239	(185,291)	–	**1,209,948**
Other staff	1,601,692	(117,512)	(163,167)	**1,321,013**
Total	6,242,724	(621,267)	(163,167)	**5,458,290**

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 recognized in profit or loss, with a corresponding adjustment to the equity-settled share-based payments reserve.

The Group recognized the total expense of RMB4,580,000 for the period ended 30 June 2018 (six months ended 30 June 2017: RMB3,693,000) in relation to RSUs granted by the Company.

19. SHARE CAPITAL

Issued and fully paid-up:

	As at 30 June 2018 USD'000 (Unaudited)	As at 31 December 2017 USD'000 (Audited)
Share capital of USD0.000025 each	**27**	27

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Represented as:		
Ordinary shares	**174**	173

	As at 30 June 2018 '000 (Unaudited)	As at 31 December 2017 '000 (Audited)
Number of shares:		
Fully paid ordinary shares	**1,075,768**	1,072,459

Ordinary shares

	Authorized shares		Issued capital	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Balance at 1 January 2018 (Audited)	2,000,000	336	1,072,459	173
Exercise of issued share option	–	–	3,309	1
Balance at 30 June 2018 (Unaudited)	2,000,000	336	1,075,768	174

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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Minimum lease payments under operating leases:		
Within one year	**484,132**	444,069
In the second to fifth year	**1,344,457**	1,283,472
Over five years	**270,768**	274,855
	2,099,357	2,002,396

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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**14,654**	1,363

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Expense on property leasing	**600**	690

c. Remuneration of key management personnel of The Group

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,562**	1,562
Post-employment benefit	**11**	15
Equity-based share-based payments	**3,729**	3,186
	5,302	4,763

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets 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 categorised (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 market 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).

Fair value hierarchy as at December 31, 2017

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
AFS investment	32,765	–	–	32,765
Total	32,765	–	–	32,765

Fair value hierarchy as at June 30, 2018

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL				
Financial products issued by banks	**–**	**–**	**845,415**	**845,415**
Total	**–**	**–**	**845,415**	**845,415**

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

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 2018	31 December 2017				
Financial assets at FVTPL	**Assets 845,415**	–	Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa
AFS Investment	**-**	Assets 32,765	Level 1	Quoted bid prices in an active market.	N/A	N/A

A 5% decrease in the estimated return rates holding all other variables constant would decrease the carrying amount of the short-term investments by RMB771,000 (31 December 2017: RMB Nil).

A 5% increase in the estimated return rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB771,000 (31 December 2017: RMB Nil).

There were no transfers between Levels 1 and 2 during the reporting period.

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

Reconciliation of Level 3 fair value measurement of financial assets

The following table represents the reconciliation of Level 3 Measurements of the financial assets at FVTPL:

	RMB'000
At January 1, 2017 (audited)	–
Purchase of financial assets at FVTPL	1,875,400
Redemption of financial assets at FVTPL	(920,944)
Net gains on financial assets at FVTPL	17,623
At June 30, 2017 (unaudited)	972,079
At January 1, 2018 (audited)	**–**
Purchase of financial assets at FVTPL	**1,660,000**
Redemption of financial assets at FVTPL	**(836,345)**
Net gains on financial assets at FVTPL	**21,760**
At June 30, 2018 (unaudited)	**845,415**