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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

2019 Annual Report

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Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ho Kuang-Chi *(Chairman)*
Ms. Yang Shuling
(resigned with effect from 29 August 2019)
Ms. Zhao Yi
(appointed with effect from 29 August 2019)

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
35/F, One Pacific Place
88 Queensway
Hong Kong

COMPANY'S WEBSITE

www.xiabu.com

STOCK CODE

520

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Suncun Industrial Development Zone
Huangcun Town
Daxing District
Beijing
PRC

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE IN CAYMAN ISLANDS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKS

Bank of Communications
China Merchants Bank
Shanghai Pudong Development Bank
Fubon Bank
ICBC Bank
Postal Savings Bank of China

Financial Summary

CONSOLIDATED RESULTS

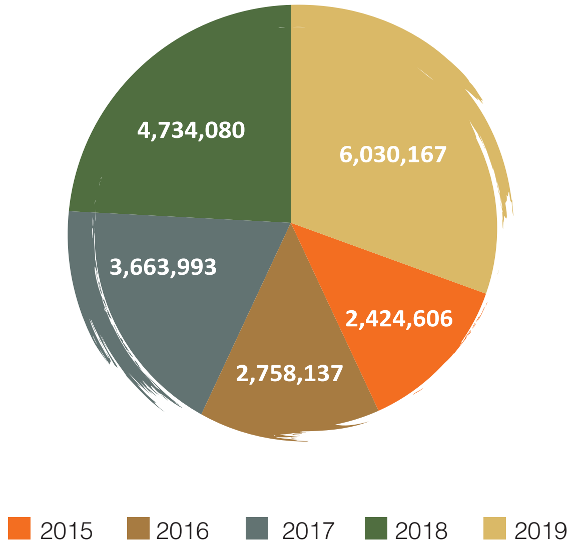
	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,030,167**	4,734,080	3,663,993	2,758,137	2,424,606
Profit before tax	**503,193**	609,440	542,787	473,122	323,120
Profit for the year attributable to owners of the Company	**288,100**	462,478	420,170	368,028	263,363

ASSETS AND LIABILITIES

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**3,619,250**	1,214,492	865,096	594,847	452,414
Current assets	**2,006,636**	2,038,824	1,980,496	1,717,757	1,511,717
Total assets	**5,625,886**	3,253,316	2,845,592	2,312,604	1,964,131
Equity and liabilities					
Total equity	**2,386,840**	2,247,467	1,985,531	1,716,308	1,480,483
Non-current liability	**1,525,293**	11,692	13,287	15,645	16,555
Current liabilities	**1,713,753**	994,157	846,774	580,651	467,093
Total liabilities	**3,239,046**	1,005,849	860,061	596,296	483,648
Total equity and liabilities	**5,625,886**	3,253,316	2,845,592	2,312,604	1,964,131
Net current assets	**292,883**	1,044,667	1,133,722	1,137,106	1,044,624
Total assets less current liabilities	**3,912,133**	2,259,159	1,998,818	1,731,953	1,497,038

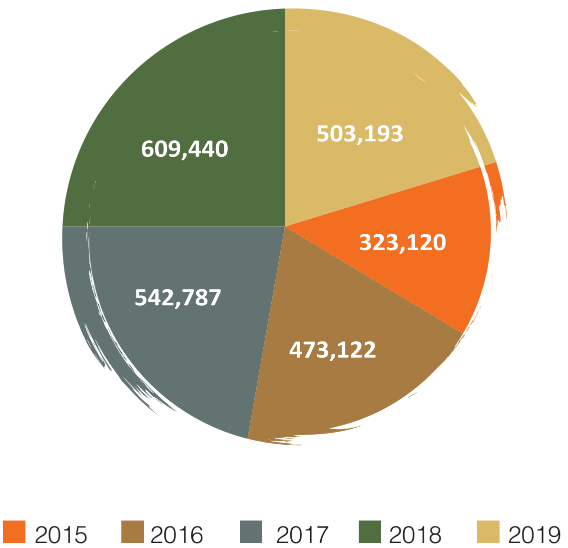
REVENUE

RMB'000



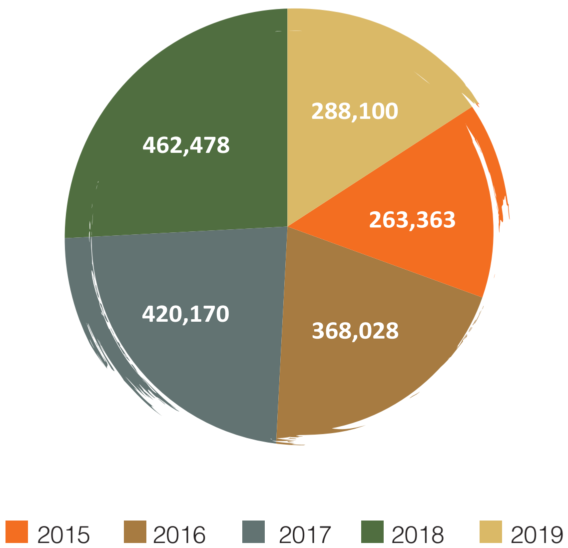
PROFIT BEFORE TAX

RMB'000

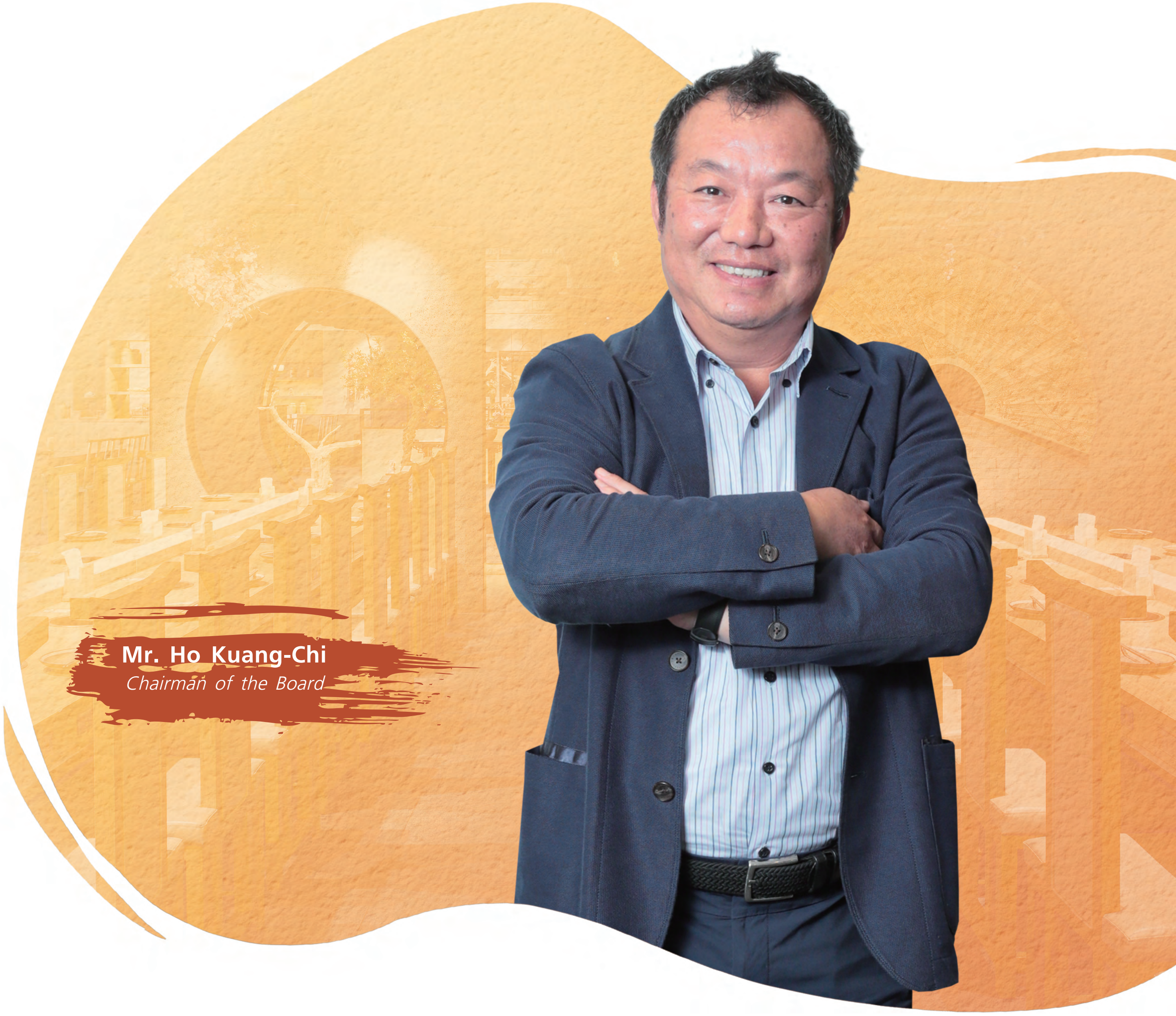


PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

RMB'000



Chairman's Statement



Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**" or "**Xiabuxiabu**"), I am pleased to present the annual report of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019.

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

OVERVIEW

2019 had been a challenging year as the world's economy is still under the uncertainty of trade war as well as economic slowdown. The economy in China had also been affected and resulted in a lower GDP at 6.1%. Despite the slowdown in the economy, the catering industry in China still continued to grow quickly, according to the "Blue Book of Catering Industry: China's Catering Industry Development Report" (餐飲業藍皮書：中國餐飲業發展報告), China's hotpot industry was a leading sector amongst the Chinese catering industry, with annual spending of RMB857 trillion in 2018, setting a stage for a strong growth in 2019. The Group had ridden on the opportunity to expand its business operations as well. In 2019, the Group adhered to its restaurant network expansion plan and opened a total of 243 new restaurants, where XiabuXiabu opened 189 new stores and Coucou opened 54 stores. We are glad that we were able to deliver the milestone that the Company set forth in 2016 to have 1000 XiabuXiabu restaurants and 100 Coucou by the end of 2019. The Group's revenue grew by 27.4% to RMB6 billion by the end of 2019.

Going forward, the Group will continue to uphold the philosophy to implement the following strategies:

- Product strategy — continue to put food safety as our first and foremost priority, safeguard the quality of the ingredients, be innovative and continue to work with different suppliers and upstream suppliers to bring the best quality ingredients from farm to table. As part of the Group's continued efforts to provide quality food to its customers while minimizing its procurement costs, the Group acquired an agricultural food processing company in Ximeng in August 2019.

- Talent development strategy — review and identify potential candidates with entrepreneurial mindset to become the frontline managers of the operations and to ensure that the incentive system is well in place to retain and recruit quality talents into our operations.

- Branding strategy — the Company will continue to take advantage of the new social media and internet sensation to extend the brand to reach to the younger generations to let them know about the core value of XiabuXiabu which is quality of ingredients.

- Store expansion strategy — ride on the current operating environment to open quality shops and continue to use the scale of our two brands to get the best leasing terms and locations for our future openings.

The Group had achieved remarkable milestones in 2019 to deliver the 1,000 stores target, I would like to take this opportunity to show my utmost appreciation to the team, the employees for their continued effort to continue to strive for the best for the Company. I also want to thank the Board for their vote of confidence and their continued support to help ensure the best corporate governance is being upheld at all times. I am proud to work with you all and we will continue to work with you all to overcome all the challenges that we shall be facing in 2020.

Ho Kuang-Chi
Chairman

Hong Kong, 7 April 2020

Business Review and Outlook

OVERVIEW

In 2019, the Group opened 189 Xiabuxiabu restaurants and 54 Coucou restaurants. As of 31 December 2019, the Group owned and operated 1,022 Xiabuxiabu restaurants in 125 cities over 22 provinces and autonomous regions and in three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China.

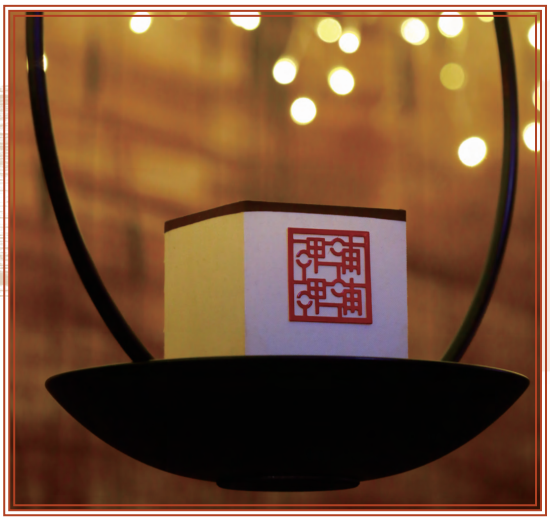
REVENUE
RMB
6,030.2 million

The Group's revenue grew by 27.4% from RMB4,734.1 million in 2018 to RMB6,030.2 million in 2019, primarily due to the Group's efforts to expand its restaurant network. Due to the slowdown in China's economic growth and the increasing uncertainty in the external environment, as well as the intense competition in the market, the Group implemented more sales promotions to stimulate customer spending in 2019. As such, same-store sales of the Xiabuxiabu restaurants nationwide decreased by 1.4% in 2019. As of 31 December 2019, the Group's net current assets decreased from RMB1,044.7 million as of 31 December 2018 to RMB292.9 million as of 31 December 2019, primarily due to the implementation of IFRS 16 which led to a significant increase in the Group's lease liabilities and an increase in contract liabilities arising from prepaid cards.

As of 31 December 2019, the Group owned 102 Coucou restaurants in Jiangsu, Hubei, Hunan, Henan, Hebei, Shandong, Shanxi, Fujian, Shaanxi, Zhejiang, Yunnan, Anhui and Guangdong provinces, Beijing and Shanghai municipalities and Hong Kong SAR. Revenue generated from the Group's Coucou restaurants increased by 116.0% from RMB555.6 million in 2018 to RMB1,200.1 million in 2019, primarily due to continuous effort to expand the Coucou restaurant network.

INDUSTRY REVIEW

In 2019, the growth of China's domestic economy slowed down amid the increasing uncertainty in the external environment. On the other hand, domestic structural readjustment, favorable government policies, transformation and upgrading continued to be the backbone to maintain the growth of the economy. China's GDP grew at a rate of 6.1% in 2019, and actual per capita disposable income of urban and rural areas grew by 5.8%. Consumer price index rose by 2.9%, which was mainly driven by the increase in the price of pork, which went up by 42% as compared to that in 2018. The structural optimization in the service sector continued to develop in 2019, which also contributed to the growth of China's economy. Service consumption has also accelerated together with consumer's growing demand for services with higher quality and efficiency.



SAME-STORE SALES GROWTH

-1.4%

AVERAGE SPENDING PER CUSTOMER

RMB

55.8

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

The Group's restaurant network

In 2019, the Group adhered to its restaurant network expansion plan and opened a total of 243 new restaurants, including 189 Xiabuxiabu restaurants and 54 Coucou restaurants. In addition, the Group closed a total of 53 restaurants in 2019 due to various commercial reasons. In aggregate, the Group's restaurants in operation increased by 190 in 2019. A substantial portion of the Group's revenue were derived from Xiabuxiabu restaurants.

Geographical breakdown of the Group's 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 31 December			
	2019		2018	
	#	**%**	#	%
Beijing	**313**	**30.6**	309	34.9
Shanghai	**56**	**5.5**	52	5.9
Tianjin	**88**	**8.6**	81	9.1
Hebei(1)	**165**	**16.1**	148	16.7
Northeast China(2)	**126**	**12.3**	102	11.5
Jiangsu(3)	**34**	**3.3**	29	3.3
Shandong(4)	**45**	**4.4**	31	3.5
Shanxi(5)	**36**	**3.5**	27	3.0
Other regions(6)	**159**	**15.6**	107	12.1
Total	**1,022**	**100.0**	886	100.0

(1) Including 17 cities in Hebei Province.

(2) Including 25 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 7 cities in Jiangsu Province.

(4) Including 14 cities in Shandong Province.

(5) Including 13 cities in Shanxi Province.

(6) Including 49 cities in Fujian, Guangdong, Guangxi, Yunnan, Hainan, Zhejiang, Henan, Shaanxi, Anhui, Gansu, Hunan, Hubei and Qinghai Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

Key operational information for the Group's Xiabuxiabu restaurants

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

	As of and for the years ended 31 December	
	2019	2018
Net revenue (in RMB thousands)		
Beijing	**2,016,385**	1,925,145
Shanghai	**215,142**	216,330
Tianjin	**371,390**	317,011
Hebei[3]	**828,731**	682,930
Northeast China[4]	**423,766**	373,988
Jiangsu[5]	**104,789**	95,758
Shandong[6]	**115,289**	69,825
Shanxi[7]	**164,777**	115,486
Other regions[8]	**430,609**	282,477
Total	**4,670,878**	4,078,950
Average spending per customer (RMB)[1]		
Beijing	**57.8**	55.4
Shanghai	**53.3**	52.5
Tianjin	**56.2**	52.6
Hebei[3]	**55.0**	51.5
Northeast China[4]	**51.1**	51.3
Jiangsu[5]	**54.4**	52.5
Shandong[6]	**55.2**	52.1
Shanxi[7]	**54.9**	50.0
Other regions[8]	**55.6**	51.6
Total	**55.8**	53.3
Seat turnover rate (X)[2]		
Beijing	**3.5**	3.6
Shanghai	**2.6**	2.6
Tianjin	**2.4**	2.6
Hebei[3]	**2.8**	2.9
Northeast China[4]	**2.0**	2.2
Jiangsu[5]	**1.7**	1.7
Shandong[6]	**1.8**	1.8
Shanxi[7]	**2.5**	2.8
Other regions[8]	**1.7**	1.6
Total	**2.6**	2.8

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

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

(3) Including 17 cities in Hebei Province.

(4) Including 25 cities in Heilongjiang, Jilin and Liaoning Provinces.

(5) Including 7 cities in Jiangsu Province.

(6) Including 14 cities in Shandong Province.

(7) Including 13 cities in Shanxi Province.

(8) Including 49 cities in Fujian, Guangdong, Guangxi, Yunnan, Hainan, Zhejiang, Henan, Shaanxi, Anhui, Gansu, Hunan, Hubei and Qinghai Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

In 2019, the Group successfully implemented its nationwide expansion plan, the Group's revenue generated from restaurants outside of Beijing continued to increase in absolute term and as a percentage of the Group's total revenue in 2019, reaching approximately 56.8% of the Group's total revenue. On the other hand, average customer spending continued to increase in 2019, primarily due to the increase in sales of newly launched menu items as the Group continued to optimize its product combinations and launch new products regularly.

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

	Year ended 31 December 2018 2019	Year ended 31 December 2017 2018
Number of same-store (#)		
Beijing	**287**	273
Shanghai	**49**	49
Tianjin	**74**	60
Hebei(1)	**137**	122
Northeast China(2)	**88**	72
Jiangsu(3)	**28**	27
Shandong(4)	**22**	19
Shanxi(5)	**24**	14
Other regions(6)	**100**	56
Total	**809**	692

	Year ended 31 December		Year ended 31 December	
	2018	**2019**	2017	2018
Same-store sales (in RMB million)				
Beijing	**1,750.4**	**1,753.8**	1,670.0	1,715.2
Shanghai	**179.7**	**162.4**	180.9	190.3
Tianjin	**287.3**	**284.6**	244.9	245.5
Hebei(1)	**608.1**	**659.8**	508.8	554.5
Northeast China(2)	**335.5**	**278.1**	247.5	235.0
Jiangsu(3)	**81.3**	**76.8**	61.8	73.1
Shandong(4)	**57.3**	**56.9**	45.3	49.8
Shanxi(5)	**105.4**	**102.7**	19.0	57.4
Other regions(6)	**220.3**	**200.9**	210.8	135.9
Total	**3,625.4**	**3,576.1**	3,188.9	3,256.6
Same-store sales growth (%)				
Beijing	**0.2**		2.7	
Shanghai	**(9.6)**		5.2	
Tianjin	**(1.0)**		0.3	
Hebei(1)	**8.5**		9.0	
Northeast China(2)	**(17.1)**		(5.1)	
Jiangsu(3)	**(5.6)**		18.4	
Shandong(4)	**(0.7)**		9.8	
Shanxi(5)	**(2.3)**		202.8	
Other regions(6)	**(8.8)**		(35.5)	
Nationwide	**(1.4)**		2.1	

(1) Including 17 cities in Hebei Province.

(2) Including 25 cities in Heilongjiang, Jilin and Liaoning Provinces.

(3) Including 7 cities in Jiangsu Province.

(4) Including 14 cities in Shandong Province.

(5) Including 13 cities in Shanxi Province.

(6) Including 49 cities in Fujian, Guangdong, Guangxi, Yunnan, Hainan, Zhejiang, Henan, Shaanxi, Anhui, Gansu, Hunan, Hubei and Qinghai Provinces, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region.

OUTLOOK FOR 2020

Business Outlook

In 2019, with increases of per capita disposable income and the expansion of the middle class, millennials have been increasingly focusing on the quality of products and services. Such changes lead to a more accelerated diversification-, specialization- and brand-oriented catering industry.

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

Talent development strategy

The Group emphasizes on "people" to describe the importance of "long-, medium- and short-" term personnel development strategies. There are many factors for systemic reform and driving force involved. By working with the Group to focus on the important locations, firstly because of the continuous expansion of geographical coverage, so it is very important to maintain supply of high quality operating front-line staff. The talent committee is committed to review the entire inventory of front-line staff, this review is very strict, not only will the last three years of performance be reviewed, but also included assessment of development potential, management ability and staff presentation to the third party and the talent committee. This review is the most stringent in the history of Xiabu, this ensures the quality of staff that are dispatched to develop in different locations. The review also ensures that effective support policies for relocation staff, including mentors and guidance assurance system. At the end of this, the profitable areas will immediately be identified, at the same time the high potential operators will quickly be put in place to manage the weaker areas. The effect has begun to be shown. At the same time, the management team reviews the incentive mechanism for the front-line operators and gradually replaces with better incentives mechanism that can stimulate operator with self-driving force. It is believed that with the gradual implementation of this reform, the front-line staff will be able to develop quickly.

Product strategy

The management team agreed that it was more about rapidly upgrading new products, which are one of the incentives to attract customers to repeated consumption and another way to keep the brand new. The Group's first product strategy is divided into "niche products", which are used to ensure the gross margin of bulk ingredients. At the same time, the establishment of "complementary categories" to enrich consumers' choices, while breaking down the pressure from the main ingredients, e.g launching of chicken products in the second half of the year, and afternoon snack products are also being developed to supplement the future full day operations; "Seasonal products" are launched to ensure customer enthusiasm; creating "Star products" to make the brand more fashionable, such as the shrimp cake with cheese which is launched for the first time in the hot pot industry, became the widely discussed product in the entire hot pot market.

The launching of the new strategy to launch new products is speeding up faster than any time before, the Group smartly deploys, redesigns its system and launched 15 new products in the second half of 2019, attracting the young consumers' enthusiasm, during the time when there was a huge cost price inflation pressure, the Group was able to stabilize the gross margin better than the first half.

In addition, as part of the Group's efforts to provide quality food to its customers while minimizing its procurement costs, the Group acquired an agricultural food processing company in Ximeng in August 2019.

Branding Strategy

Long-term development layout, Xiabu has to upgrade the branding. In the past, feeding simply committed to provide the best products to consumers, the so-called brand communication is more through the consumer's word of mouth accumulated overtime, which is far from enough. When the brand power is not enough, moving in the new city, new areas will need longer time to develop the brand. In the future, the Group will start to roll out faster plan to build a brand when it expands into new areas. By investing more into branding instead of giving out discount. Not only will the Group be using the online broadcast such younger generations like KOL, TikTok, etc, tradition way of branding will also be use smartly. At present, through pre-implantation of the brand during the launch of the new stores, sales will soon stabilize and not be disrupted after discount has been removed. This set a fast and stable situation for Xiabu when entering into the tier three and four cities.

Store expansion

When the Company completed its initial public offering in 2014, the first thing was to upgrade the restaurants. Xiabu was quick to understand the customers' need and enhance service upgrade which brought forth 5 years of growth for Xiabu subsequently. This was why Xiabu can upgrade from the past where most of the restaurants were in the underground or next to supermarket of a mall to open in underground, regular dining floors and even prime locations like Shanghai Center today, fully opens up a lot of room for Xiabu's expansion.

Xiabu will continue to explore retail advantages, aligning with development of products for other day part, in the end will drive business to growth.

As for Coucou, the Group will continue to take advantage of its "internet sensation" nature and growth pace, quickly establish the brand's leading position to set the foundation for the next 2–3 years' development.

For condiment Company, the layout for development channel had been established, in 2020 the Group will continue to use these strong products to expand the business horizon.

As for a few of the delivery and e-commerce platforms, the Group will continue to collaborate store, delivery and online business into this business to make it more vibrant.

Industry Outlook

In 2019, the major economic indicators fluctuated as China's domestic economy continued to face external challenges. There are still many variables in the external environment, with uncertainties and challenges ahead in 2020. Although the first phase of the trade agreement between China and the United States had been signed in January 2020, rising of protectionism and emergence of trade wars pose a major challenge to the global economy. In addition, in December 2019, a novel strain of coronavirus, which was later named "COVID-19" by the World Health Organization, was reported to have surfaced in Wuhan and subsequently spread throughout China. The Chinese central government and local governments in Wuhan and other cities in China have introduced various temporary measures to contain the outbreak, such as extension of the Lunar New Year holiday and travel restrictions, which negatively impacted the national and local economy to varying degrees. The Group has suspended the operation of 941 of its restaurants in mainland China since January 2020 voluntarily in an effort to contain the spread of the epidemic, and the production volume of its food processing facilities has decreased in response to the change in demand. As at the date of this annual report, the Group has reopened 866 of such closed restaurants.

As a result of the foregoing, the short-term growth of China's economy is likely to be negatively affected. Looking at the key index this year, China's economic growth slowed down and recorded a lower growth of GDP in 2019 and this trend will likely to continue in the first half of 2020. The Chinese government started to boost domestic consumption to support economic growth. As such, the Group believes that the growth of consumption will gradually regain its momentum in the second half of 2020.

As consumers' living standard improves, the development of the catering industry in the next few years will become crucial to the Group's future success. The increase of per capita disposable income and the expansion of the middle class are also contributing to the accelerated diversification, specialization and quality improvement in the catering industry. At the same time, consumers' increasing emphasis on the quality of product and service also leads to the change of consumer behavior from price-oriented to brand-oriented. In addition, as millennials are becoming the main consumer group in the catering industry, their unique consumption behaviors, such as emphasis on quality and brand name and preference for food delivery services, are also changing the competitive landscape of the industry. In the coming years, companies in the catering industry will continue to focus on brand development, maintenance, enhancement, digitization and internal transformation to achieve an overall quality improvement of their operations. New dining experiences combined with the use of technologies have become the key growth factor of companies in the catering industry. The integration of online and offline business operations will no doubt become the future trend of development in the catering industry.

Management Discussion and Analysis

The following table is a summary of the Group's consolidated statement of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from 2018 to 2019:

	Year ended 31 December				Year-on-year change
	2019		2018		
	RMB	**%**	RMB	%	%
	(In thousands, except for percentages and per share data)				
	(unaudited)		(audited)		
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**6,030,167**	**100.0**	4,734,080	100.0	27.4
Other income	**53,558**	**0.9**	44,009	0.9	21.7
Raw materials and consumables used	**(2,225,055)**	**(36.9)**	(1,784,481)	(37.7)	24.7
Staff costs	**(1,544,349)**	**(25.6)**	(1,167,868)	(24.7)	32.2
Property rentals and related expenses	**(253,818)**	**(4.2)**	(579,751)	(12.2)	(56.2)
Utilities expenses	**(212,193)**	**(3.5)**	(170,695)	(3.6)	24.3
Depreciation and amortisation	**(839,386)**	**(13.9)**	(221,117)	(4.7)	279.6
Other expenses	**(405,367)**	**(6.7)**	(288,767)	(6.1)	40.4
Other gains and losses	**(5,519)**	**(0.1)**	44,030	0.9	(112.5)
Finance costs	**(94,845)**	**(1.6)**	—	—	—
Profit before tax	**503,193**	**8.3**	609,440	12.9	(17.4)
Income tax expense	**(212,555)**	**(3.5)**	(147,468)	(3.1)	44.1
Profit for the year	**290,638**	**4.8**	461,972	9.8	(37.1)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss, net of income tax:					
Reversal of previously accumulated investment revaluation reserve upon disposal of debt instrument measured at fair value through other comprehensive income ("**FVTOCI**")	**—**	**—**	69	0.0	—
Total comprehensive income for the year	**290,638**	**4.8**	462,041	9.8	(37.1)
Profit (loss) for the year attributable to:					
Owners of the Company	**288,100**	**4.8**	462,478	9.8	(37.7)
Non-controlling interest (loss)	**2,538**	**(0.0)**	(506)	(0.0)	601.6
	290,638	**4.8**	461,972	9.8	(37.1)
Total comprehensive income (expense) attributable to:					
Owners of the Company	**288,100**	**4.8**	462,547	9.8	(37.7)
Non-controlling interest (expense)	**2,538**	**(0.0)**	(506)	(0.0)	601.6
	290,638	**4.8**	462,041	9.8	(37.1)
Earnings per share					
— basic (RMB cents)	**27.02**		43.49		
— diluted (RMB cents)	**26.78**		42.81		

Revenue

The Group's revenue increased by 27.4% from RMB4,734.1 million in 2018 to RMB6,030.2 million in 2019, primarily due to (i) an increase in the number of the Group's Xiabuxiabu restaurants from 886 as of 31 December 2018 to 1,022 as of 31 December 2019 and (ii) an increase in the sales of condiment products from RMB57.7 million in 2018 to RMB89.6 million in 2019. In particular, net revenue generated from Xiabuxiabu restaurants increased by 14.5% from RMB4,079.0 million in 2018 to RMB4,670.9 million in 2019. The Group opened 189 new Xiabuxiabu restaurants throughout China in 2019 to enhance its restaurant network and also opened 54 new Coucou restaurants in 2019.

In 2019, the Group managed to grow its revenue generated from Coucou restaurants by 116.0% from RMB555.6 million in 2018 to RMB1,200.1 million in 2019, which accounted for approximately 19.9% of the total revenue of the Group in 2019, primarily due to its continual effort to expand the Coucou restaurant network. Xiabuxiabu restaurants continued to contribute the largest source of revenue for the Group. The continual expansion of restaurants was one reason that drove revenue to continue to grow in 2019, the fast expansion in the delivery business was another reason that helped deliver the growth. In 2019, in order to expand the delivery business, the Group (i) continued to expand the Group's food ingredient delivery and instant hotpot business "XiaZhuXiaTang" that built up a growing delivery business and increased the Group's competitive advantage against the traditional hotpot delivery model; (ii) rapidly developed the Group's geographical distribution focus, from 63 cities in 2018 to 84 cities in 2019; and (iii) quickly obtained market share through the use of a huge amount of marketing activities. At the end of 2019, sales revenue from the delivery business constituted 5% of the Group's revenue. In 2020, the Group will continue to strategically invest in larger branding and marketing fee, to fully promote the Xiabuxiabu brand and quality, especially targeting millennial customers who look for premium quality, to showcase its quality and highlight the advantages of its quality ingredients such as the classic Ximeng lamb, allowing customers to have the opportunity to taste the high-quality ingredients and tastes from the Group's main-product line. The Group helped customers to understand the upgrade is not purely to decorate its restaurants to become an internet sensation, it is also a full-scale upgrade from environment to the quality of ingredients, product mix, service upgrade to help the Company to win and obtain further goodwill and market share.

Other income

The Group's other income increased by 21.7% from RMB44.0 million in 2018 to RMB53.6 million in 2019, primarily due to government subsidies of approximately RMB11.5 million received from the local government for the Group's local business development. There were no unfulfilled conditions in the year in which they were recognized.

Raw materials and consumables used

The Group's raw materials and consumables costs increased by 24.7% from RMB1,784.5 million in 2018 to RMB2,225.1 million in 2019 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 and the cost of ingredients kept rising. As a percentage of the Group's revenue, the Group's raw materials and consumables costs decreased from 37.7% in 2018 to 36.9% in 2019, and the Group's gross profit margin increased from 62.3% in 2018 to 63.1% in 2019.

Staff costs

The Group's staff costs increased by 32.2% from RMB1,167.9 million in 2018 to RMB1,544.3 million in 2019, primarily due to an increase in the number of the Group's employees from 26,219 as of 31 December 2018 to 31,373 as of 31 December 2019, as well as an increase in per capita wages, which in turn was the result of an increase in the minimum wage and statutory social insurance in China. As a percentage of the Group's revenue, the Group's staff costs increased from 24.7% in 2018 to 25.6% in 2019, which was also the result of an increase in per capita wages. In 2019, 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 incurred equity-settled share-based expenses of RMB11.0 million (2018: RMB12.6 million).

Property rentals and related expenses

The Group's property rentals and related expenses decreased by 56.2% from RMB579.8 million in 2018 to RMB253.8 million in 2019, primarily due to the implementation of IFRS 16 effective from 1 January 2019 which led to the Group's property rentals and related expenses decreased from 12.2% in 2018 to 4.2% in 2019 as a percentage of the Group's revenue.

Utilities expenses

The Group's utilities expenses increased by 24.3% from RMB170.7 million in 2018 to RMB212.2 million in 2019 as the scale of the Group's operation in terms of number of restaurants continued to increase. As a percentage of the Group's revenue, utilities expenses remained stable at 3.5% in 2019 as compared with 3.6% in 2018.

Depreciation and amortization

The Group's depreciation and amortization increased by 279.6% from RMB221.1 million in 2018 to RMB839.4 million in 2019, primarily as a result of the implementation of IFRS 16 which led to an increase in the depreciation of right-of-use assets and Group's property, plant and equipment as the Group continued to open new restaurants and upgrade its existing restaurants to Xiabuxiabu 2.0. As a percentage of the Group's revenue, depreciation and amortization increased from 4.7% in 2018 to 13.9% in 2019.

Other expenses

The Group's other expenses increased by 40.4% from RMB288.8 million in 2018 to RMB405.4 million in 2019. As a percentage of the Group's revenue, the Group's other expenses increased from 6.1% in 2018 to 6.7% in 2019. The increase in the Group's other expenses in absolute terms and as a percentage of the Group's revenue was primarily due to (i) an increase in advertising and other marketing expenses; (ii) an increase in logistics fee; and (iii) an increase in delivery expenses due to the expansion of Xiabu Fresh.

Other gains and losses

The Group recorded other losses of RMB5.5 million in 2019, as compared to other gains of RMB44.0 million in 2018, consisted primarily of impairment loss on leasehold improvement and right-of-use assets.

Finance costs

The Group recorded finance costs of RMB94.9 million in 2019 due to the interest expense recognized as a result of the implementation of IFRS 16. As the Group did not have external borrowings historically, there was no interest expense this year.

Profit before tax

As a result of the foregoing, the Group's profit before tax decreased by 17.4% from RMB609.4 million in 2018 to RMB503.2 million in 2019, and as a percentage of the Group's revenue, the Group's profit before tax decreased from 12.9% in 2018 to 8.3% in 2019.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB11.0 million (2018: RMB12.6 million), the Group's profit before tax would have decreased by 17.3% from RMB622.0 million in 2018 to RMB514.2 million in 2019, and decreased from 13.1% in 2018 to 8.5% in 2019 as a percentage of the Group's revenue.

Income tax expense

The Group's income tax expenses increased by 44.1% from RMB147.5 million in 2018 to RMB212.6 million in 2019, primarily as a result of (i) the increase in the Group's taxable income; and (ii) the accumulative effect of a change in the royalty percentage to be paid from Mainland China to Hong Kong.

Profit for the year

As a result of the cumulative effect of the above factors, the Group's profit for the year attributable to owners of the Company decreased by 37.7% from RMB462.4 million in 2018 to RMB288.1 million in 2019, and as a percentage of the Group's revenue, the Group's profit for the year decreased from 9.8% in 2018 to 4.8% in 2019.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme and as a result of the change in IFRS 16 which led to a decrease in profit in 2019, the Group's profit for the year attributable to owners of the Company would have decreased by 16.6% from RMB475.1 million in 2018 to RMB396.4 million in 2019, and decreased from 10.0% in 2018 to 6.6% in 2019 as a percentage of the Group's revenue. For further details, please refer to the section headed "Non-IFRS Measure — (a) Adjusted net profit" below.

Non-IFRS Measure

Adjusted net profit

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Group also uses adjusted net profit as an additional financial measure to evaluate the Group's financial performance without taking into account certain unusual and non-recurring items. Adjusted net profit is calculated by deducting expense related to equity-settled share-based payments from the Group's staff costs and the impact in connection with the implementation of IFRS 16. The table below sets forth the reconciliation of profit for the year to adjusted net profit:

	Year ended 31 December	
	2019	2018
	(In RMB thousands)	
Total profit for the year attributable to owners of the Company	**288,100**	462,478
Equity-settled share-based expenses	**10,980**	12,634
Impact of implementation of IFRS16	**97,270**	—
Adjusted net profit[1]	**396,350**	475,112

(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

In 2019, 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 Company's initial public offering (the "**Global Offering**").

Cash and cash equivalents

As of 31 December 2019, the Group had cash and cash equivalents of RMB785.2 million as compared with RMB1,340.7 million as of 31 December 2018, which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi (as to 88.8%), Hong Kong dollars (as to 7.1%), and U.S. dollars (as to 4.1%).

In view of the Group's currency mix, the Group currently does not use any derivative contracts to hedge against the Group's exposure to currency risk. The Group's management manages the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Net proceeds from the Global Offering (including the partial exercise of the over-allotment option on 9 January 2015), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering which the Company received amounted to an aggregate of approximately HK$1,043.5 million, comprising HK$1,001.5 million raised from the Global Offering and HK$42.0 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option. Up to 31 December 2019, the Company utilized approximately 72.52%, or HK$756.6 million of the net proceeds from the Global Offering, (i) HK$666.6 million of which had been utilized to open new and renovate old restaurants; (ii) HK$60.9 million of which had been utilized to purchase the land use rights of two parcels of land in Beijing and Tianjin. These two properties are used for the construction of the second central kitchen of the Group and a logistics center to support the future growth of the Group's operations; and (iii) HK$29.1 million of which had been utilized to provide for working capital and other general corporate purposes. 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 2020 and in 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 ("FVTPL")

As of 31 December 2019, the Group had financial assets at FVTPL amounted to RMB71.3 million in aggregate (31 December 2018: nil), which mainly represented short-term financial product (the "**Financial Product**") issued by Shanghai Pudong Development Bank Co., Ltd. The Financial Product was not principal protected nor with pre-determined or guaranteed return. The Company generally subscribed for similar 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 31 December 2019, the Company held one outstanding Financial Product issued by Shanghai Pudong Development Bank Co., Ltd with an aggregate principal amount of RMB70.0 million which matured on 12 January 2020.

The Financial Products which the Company subscribed for during the year ended 31 December 2019 were with a term ranging from 7 days to 181 days and an expected return rate ranging from 2.7% to 6.3% per annum. The gain the Group realized from the Financial Products in 2019 was recorded as gain from changes in fair value of financial assets designated at financial assets at FVTPL and amounted to approximately RMB36.9 million in 2019.

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 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 were 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 subscriptions of Financial Products during the year ended 31 December 2019 which constituted notifiable transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were disclosed in the relevant discloseable transaction announcements published by the Company in 2019. Save as otherwise disclosed in these announcements, there was no other single short-term investment 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 31 December 2019.

The Group purchased additional products with an aggregate principal amount of RMB560.0 million from 1 January 2020 up to the date of this annual report which remained outstanding as at the date of this annual report. None of these subscriptions, individually or collectively when aggregation is required constitute a disclosable transaction under Chapter 14 of the Listing Rules.

Indebtedness

As of 31 December 2019, 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.

As the Group had no interest-bearing bank borrowing as of 31 December 2019, no gearing ratio, which is calculated as interest-bearing borrowings less cash and cash equivalent divided by the total equity, was calculated.

Financial liability at fair value through profit or loss

In August 2019, the Group acquired Xilin Gol League Yishun Halal Meat Co., Ltd. ("**Yishun**"), a lamb processing company, from two non-related individual third parties (the "**Sellers**") at a cash consideration of RMB96.1 million and assumed Yishun's liability of RMB19.0 million.

In addition, the Group and the Sellers separately entered into an arrangement by which the Sellers will deposit RMB60.0 million into an investment trust (the "**Investment Trust**") that is valid for three years, and instruct the trustee of the Investment Trust (the "**Trustee**"), without the Company's involvement, to purchase the Company's shares in the open market. Up to November 2019, the Trustee has used all the RMB60.0 million to purchase the Company's shares. The Trustee is prohibited to make any further purchase of the Company's shares once the Trustee sells any shares of the Company. Separately, the Company agreed to guarantee the Sellers an annual return of RMB2.4 million and compensate the Seller if the value of the Company's shares held by the Investment Trust is worth less than RMB60.0 million when the Investment Trust expires. If, however, the value of the Company's shares held by the Investment Trust reaches a pre-agreed level, the Investment Trust will be unwound and the Group will be able to share the upside from the appreciation of the trust property. The arrangement with the Sellers constitute a derivative which is based on the share price of the Company, and the fair value of the derivative as at 31 December 2019 was RMB1.2 million, which represented a loss and was recorded as a financial liability measured at fair value through profit or loss. Going forward, we may record further financial liability or gain as the share price of the Company fluctuates.

While none of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) after taking into account the maximum amount that is payable by the Group to the Sellers in respect of the acquisition and the arrangement described above exceeds 5% and the acquisition is not a notifiable transaction under Chapter 14 of the Listing Rules, the Group believes such strategic acquisition enables the Group to further its farm-to-table initiatives and tighten its grip on the quality of lamb, a major ingredient for the Group and better control its cost.

Capital expenditures

The Group made payment for the capital expenditures representing the purchase of property, plant and equipment of RMB727.0 million in 2019 in connection with new restaurant opening and re-decoration and furnishing of existing stores. In 2018, the Group made payment for the capital expenditures of RMB491.6 million. The Group's capital expenditure in 2019 was funded primarily by net proceeds from Global Offering and cash generated from its operations. In 2019, the Group opened a total of 243 new restaurants. As of 31 December 2019, the Group did not have any charge over its assets.

Contingent liabilities and guarantees

As of 31 December 2019, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Material acquisitions and future plans for major investment

During the year ended 31 December 2019, 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 COSTS

As of 31 December 2019, the Group had a total of 31,373 employees. In particular, 138 employees worked at the Group's food processing facilities, 3,025 were responsible for restaurant management, 26,815 were restaurant staff and 1,395 were administrative staff.

The Group offers competitive wages and other benefits to the Group's restaurant employees to manage employee attrition. The Group also offers discretionary performance bonus as further incentive to the Group's restaurant staff if a specific restaurant target is achieved. The Group's staff costs include all salaries and benefits payable to all the Group's employees and staff, including the Group's executive Directors, headquarters staff and food processing facilities staff.

For the year ended 31 December 2019, the total staff costs of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB1,544.3 million, representing approximately 25.6% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 6,162,944 shares (representing approximately 0.57% of the total issued share capital of the Company as at the date of this annual report) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as of 31 December 2019. The Company has also adopted the RSU Scheme which became effective upon the date of listing of the Company (the "**Listing Date**"). 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 year ended 31 December 2019, the RSU Trustee purchased an aggregate of 860,000 shares at a total cash consideration of approximately HK$7.6 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 31 December 2019, RSUs in respect of an aggregate of 4,707,138 shares (representing approximately 0.44% of the total issued share capital of the Company as at the date of this annual 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 "Directors' Report" in this annual report.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.046 per share, amounting to approximately a total of RMB49.6 million for the year ended 31 December 2019 (the "**2019 Final Dividend**"), representing approximately 40% of the Group's net profit for the six months ended 31 December 2019. The 2019 Final Dividend is intended to be paid out of the Company's share premium account and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (the "**AGM**").

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ho Kuang-Chi (賀光啓), aged 56, is the Chairman of the Board and an executive Director. He was appointed as our Director on 14 May 2008 and is primarily responsible for formulating the overall development strategies and business plans of our Group. Mr. Ho is also a director of each of the subsidiaries of our Group. Mr. Ho has over 20 years of experiences in the food and beverage industry. Mr. Ho founded our business in 1998 and continues to oversee the management of our operations and business. He established our first restaurant in Beijing in 1999 and has guided our operations and business in adhering to quality and innovation in our operations since our establishment. Mr. Ho was awarded the "Most Influential Entrepreneur of Food and Beverage Industry in China in 2015 (2015年度中國餐飲最具影響力企業家)" and the "Most Influential Entrepreneur of Hotpot Industry in China in 2015 (2015年度中國火鍋行業最具影響力企業家)" by China Cuisine Association (中國烹飪協會). Mr. Ho also serves as a director of the Eighth Session of the Board of Directors of Beijing Overseas Friendship Association and has been the Vice Chairman of the Beijing Association of Taiwanese-Invested Enterprises. Mr. Ho is the husband of Ms. Chen Su-Yin, our non-executive Director.

Ms. Zhao Yi, aged 50, is our chief executive officer and an executive Director. She joined our Group on 12 November 2012 as our chief financial officer and was primarily responsible for the audit, accounting, financial management and IT related matters of our Group. Ms. Zhao has more than 20 years of experience in accounting, corporate finance and business management in multi-national companies, such as The East Asiatic Company (China) Limited, PepsiCo Food Co., Unilever Service Co., Ltd., Sony Ericsson Group and McDonald's, where she had taken up financial analysis, budgeting, auditing and management roles. Prior to joining our Group, the major roles and positions undertaken by Ms. Zhao include serving as the Commercial Manager of Unilever Service Co., Ltd. from October 2001 to October 2004, the chief operating officer of Sony Ericsson Mobile Communications (China) Co., Ltd. mainly responsible for strategic planning and the establishment of operating system from June 2005 to February 2009 and the Financial Director of McDonald's in Northern China Region from June 2009 to October 2012. Ms. Zhao obtained a Master's degree in Business Administration in Business Management from Newport University of the United States in May 2003, and a Bachelor's degree in International Finance from China Institute of Finance (currently known as School of International Finance of the University of International Business and Economics) in July 1993.

Non-executive Directors

Ms. Chen Su-Yin (陳素英), aged 56, is a non-executive Director. She was appointed to our Board on 12 December 2012 and is primarily responsible for providing strategic advices and guidance on the business development of our Group. Ms. Chen is also a director of each of the subsidiaries of our Group. Ms. Chen has continued to provide guidance on the range and variety of foods offered and the enhancement of the tastes and flavors of our foods and the development of our dipping sauces and our hot and spicy soup base since our establishment. Our hot and spicy soup base was awarded "Beijing Specialty Cuisine" by Beijing Cuisine Association. Ms. Chen graduated from Taipei Ching-Chwan Commercial High School in June 1981. Ms. Chen is the wife of Mr. Ho Kuang-Chi.

Mr. Zhang Chi (張弛), aged 44, is a non-executive Director. He was appointed to our Board with effect from 23 August 2017 and is primarily responsible for providing strategic advice and guidance on the business development of our Group. Mr. Zhang is a Managing Director at General Atlantic, which he joined in May 2016. Mr. Zhang heads General Atlantic's business in China. Prior to joining General Atlantic, Mr. Zhang was a Global Partner and Managing Director at The Carlyle Group, where he focused on investment opportunities in Asia from 2006 to 2016. Mr. Zhang has served on the board of directors of various portfolio companies of General Atlantic. He is currently an independent director of 58.com Inc. (a company listed on the New York Stock Exchange ("**NYSE**") (symbol: WUBA)), and serves on the board of directors of Zhejiang New Century

Hotel Management Group Co., Ltd. (浙江開元酒店管理股份有限公司, a private portfolio company in which General Atlantic invested) and Ocean Link (鷗翎投資, a private investment platform set up by General Atlantic and Ctrip). Prior to joining General Atlantic, he has previously served as a non-executive director of Fang Holdings Limited (formerly known as SouFun Holdings Limited and a company listed on NYSE (symbol: SFUN)) from September 2015 to May 2016, a non-executive director of Yashili International Holdings Ltd (a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1230)) from October 2010 to August 2013 and a non-executive director of New Century Asset Management Limited (the manager of New Century Real Estate Investment Trust, a real estate investment trust listed on the Stock Exchange (stock code: 1275)) from June 2013 to May 2016. He has also previously served on the board of directors of certain private portfolio companies of The Carlyle Group, including China Literature Limited (formerly known as China Reading Limited and a company currently listed on the Stock Exchange (stock code: 772)), Plateno Group, Crystal Orange Hotel Group and AnNeng Logistics Group, until 2016. Before joining The Carlyle Group in 2006, Mr. Zhang was a Vice President of the Investment Banking Division of Credit Suisse (Hong Kong) Limited. Prior to that, he was a Vice President in the Investment Banking Division at China International Capital Corporation Limited in Beijing. Mr. Zhang obtained his Bachelor degree in Economics from HeFei University of Technology (合肥工業大學) in July 1997 and Master of Arts degree in Economics from Shanghai University of Finance and Economics (上海財經大學) in January 2000.

Ms. Li Jie (李潔), aged 39, was appointed as an alternate Director to Mr. Zhang Chi with effect from 30 June 2018. Ms. Li is currently an Operating Principal at General Atlantic as part of the firm's Resources Group and focuses on providing financial and analytical expertise to the portfolio companies in China. Prior to joining General Atlantic in 2018, Ms. Li was the Chief Financial Officer at Global Logistic Properties (GLP) in the Financial Services segment. Prior to that, she was the Chief Financial Officer of Yunmanman (YMM), a logistic platform start-up company. Ms. Li also has over 10 years financial due diligence experience with PricewaterhouseCoopers Transaction Services in China and Australia merger and acquisition markets. Ms. Li earned her bachelor degree in international journalism from the Shanghai International Studies University as well as a second degree in civil law from Fudan University in July 2002.

Independent Non-executive Directors

Ms. Hsieh Lily Hui-yun (謝慧雲), aged 65, is an independent non-executive Director. She was appointed to our Board on 28 November 2014. She has over 30 years of experience in the auditing and accounting in various industries, including food retailing, manufacturing and processing, public utilities and airlines. Ms. Hsieh joined YUM! China in 1996 and was the chief financial officer of YUM! China from 2000 to 2012. Before joining YUM! China, she worked with Kraft Foods (Asia Pacific) Ltd., Pillsbury Canada and China Airlines. Ms. Hsieh served as an independent non-executive director ("**INED**") of Dongpeng Holdings Company Limited (former stock code: 3386) from November 2013 until it was delisted from the Main Board of the Stock Exchange in June 2016 and as a non-executive director of Little Sheep Group Limited (former stock code: 968) from November 2009 until it was delisted from the Main Board of the Stock Exchange in February 2012. Ms. Hsieh received a Master's degree in Business Administration from University of Toronto in June 1980 and the title of Certified Management Accountant (CMA) in July 1985.

Mr. Hon Ping Cho Terence (韓炳祖), aged 60, is an independent non-executive Director. He was appointed to our Board on 28 November 2014. Mr. Hon has over 30 years of experience in accounting, treasury and financial management. He is an INED of Jimu Group Limited (stock code: 8187) from December 2017, an independent non-executive director of 361 Degrees International Limited (stock code: 1361) from May 2019, an INED of Daphne International Holdings Limited (stock code: 210) from September 2019 and an INED of SinoMab Bioscience Limited (stock code: 3681) from October 2019. He served as the chief financial officer and the company secretary of DTXS Silk Road Investment Holdings Company Limited (a company listed on the Main Board of the Stock Exchange with stock code: 620) from December 2016 to September 2018. Mr. Hon was the Chief Financial Officer and the Company Secretary of Auto Italia Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code: 720) from June 2013 to March 2016. Prior to joining Auto Italia Holdings Limited, Mr. Hon was appointed to various senior financial positions in a number of companies listed on the Main Board of the Stock Exchange. From December 2010 to September 2012, he was the chief financial officer and a member of executive committee of China Dongxiang (Group) Co., Ltd. (stock code: 3818). From September 2008 to December 2010, Mr. Hon was the chief financial officer of K. Wah Construction Materials Limited, a subsidiary of Galaxy Entertainment Group Limited (stock code: 27). Mr. Hon served as the group finance director from March 2006 to February 2008 and as the group treasurer and general manager of the finance department from June 2001 to February 2006 of TOM Group Limited (stock code: 2383). From February 1996, he was the company secretary of Ng Fung Hong Limited, a company then listed on the Stock Exchange (former stock code: 318) until it was delisted from the Main Board of the Stock Exchange in June 2001. Prior to this, Mr. Hon worked with KPMG, an international accounting firm for more than seven years since 1985. He is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Hon obtained his Master's degree in Business Administration (Financial Services) from The Hong Kong Polytechnic University in August 2004.

Ms. Cheung Sze Man (張詩敏), aged 49, is an independent non-executive Director. She was appointed to our Board on November 2014. Ms. Cheung has accumulated audit experience in an international accounting firm and has substantial experiences in corporate finance, accounting and human resource management by holding senior positions in private and public listed companies. She has also served as directors of listed companies in Hong Kong. She was an executive director of China Ocean Shipbuilding Industry Group Limited (stock code: 651 and formerly known as Wonson International Holdings Ltd), a company listed on the Main Board of the Stock Exchange, from November 2006 to November 2007. She was an executive director of ITC Properties Group Limited (stock code: 199 and formerly known as Cheung Tai Hong), a company listed on the Main Board of the Stock Exchange, from May 2004 to May 2005. She also served as the independent non-executive director of 21 Holdings Limited (stock code: 1003 and currently known as Huanxi Media Group Limited), a company listed on the Main Board of the Stock Exchange, from November 2011 to April 2014. Ms. Cheung is a member of both the Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Cheung graduated from the University of Auckland in New Zealand with a Bachelor of Commerce degree and a Bachelor of Arts degree in May 1995. She also obtained a Master of Business Administration degree from the University of Bradford in the United Kingdom in July 2012.

Senior Management

Ms. Yu Xiaofang, aged 41, is our acting chief financial officer. She joined the Group as a financial manager on 30 March 2012 and has been serving as the Group's financial director since 2015 and in charge of the financial management of the Group. Ms. Yu has approximately 20 years of experience in accounting, corporate finance, market value management and business management in different types of companies in various industries. Prior to joining our Group, Ms. Yu worked at Coca-Cola China Industries Limited and focused on financial analysis, budgeting, auditing and management. Ms. Yu obtained a Bachelor's degree in Accounting from Kunming University of Science and Technology in 2002. Ms. Yu was certified by The Chartered Institute of Management Accountants in 2010 and qualified as a senior accountant in China in 2017.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group, for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

In 2019, the Group opened 189 Xiabuxiabu restaurants and 54 Coucou restaurants. As of 31 December 2019, the Group owned and operated 1,022 Xiabuxiabu restaurants in 125 cities over 22 provinces and autonomous regions and in three centrally administered municipalities, namely Beijing, Tianjin and Shanghai, in China. The Group also owned 102 Coucou restaurants in Jiangsu, Hubei, Hunan, Henan, Hebei, Shandong, Shanxi, Fujian, Shaanxi, Zhejiang, Yunnan, Anhui and Guangdong provinces, Beijing and Shanghai municipalities and Hong Kong SAR as of the same date.

Performance of the Group's Restaurants

The Group's revenue grew by 27.4% from RMB4,734.1 million in 2018 to RMB6,030.2 million in 2019 primarily due to the Group's effort to expand its restaurant network. Due to the slowdown in China's economic growth and the increasing uncertainty in the external environment, as well as the intense competition in the market, the Group implemented more sales promotions to stimulate customer spending in 2019. As such, same-store sales of the Xiabuxiabu restaurants nationwide decreased by 1.4% in 2019. See "Business Review and Outlook — Key Operational Information for the Group's Restaurants" for further details on the performance of the Group's restaurants.

Relationship with Suppliers

The Group generally works with a relatively small number of suppliers for key food ingredients at a particular time so as to ensure proper accountability. Furthermore, the Group prefers to work with larger suppliers with whom we have developed long-standing relationships. On average, the Group has over five years of business dealings with its major suppliers.

Relationship with Customers

As a restaurant chain, the Group has a large and diverse customer base. The Group's revenue derived from its five largest customers accounted for less than 30% of our total revenue for the year ended 31 December 2019.

Relationship with Employees

Restaurant operations are highly service-oriented. Therefore the Group's success, to a considerable extent, depends upon its ability to attract, motivate and retain a sufficient number of qualified employees, including restaurant managers and staff. Employee attrition levels tend to be higher in the catering service industry than in other industries. The Group offers competitive wages, discretionary performance bonuses and other benefits to our restaurant employees to manage employee attrition.

Environmental Policy

In order to comply with the relevant environmental laws and regulations, the Group has undertaken wastewater and solid waste disposal and processing measures such as (i) installing proper wastewater treatment devices such as electric oil water separator as required by PRC laws and regulations to process wastewater at each of the Group's restaurants and food processing plants; (ii) daily collection of solid wastes for which the Group contracted qualified waste management companies to dispose of; and (iii) timely payment of wastewater processing fees to the relevant authorities.

Licenses, Regulatory Approvals and Compliance Record

The Group had complied with all relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for all of its restaurants opened in 2019.

Principal Risks and Uncertainties

Principal risks and uncertainties the Group faces include:

- uncertainty as to the opening and profitable operation of new restaurants;
- uncertainty as to the expansion into new geographical markets;
- uncertainty as to the performance of the Group's current restaurants;
- risks related to site selection for new restaurants;
- risks related to quality control and food safety;
- risks related to increasing food price, labor costs and commercial real estate rent; and
- uncertainty as to how COVID-19 will impact the restaurant operations.

Subsequent Event

The outbreak of COVID-19 in China has grown into a global epidemic during the first quarter of 2020, creating a challenging situation across industries. The Group has assessed the overall impact of the COVID-19 outbreak on the entirety of its operations and has taken measures to limit the adverse effects of the rapidly spreading virus on its personnel and business operations. The Group is constantly monitoring the situation in order to respond appropriately as conditions evolve. The outbreak of COVID-19 is expected to have a negative impact on the global economic environment, as well as the Group's revenue and profit in 2020. The Group has suspended the operation of 941 of its restaurants in mainland China since January 2020 voluntarily in an effort to contain the spread of the epidemic, and the production volume of its food processing facilities has decreased in response to the change in demand. As at the date of this annual report, the Group has reopened 866 of such closed restaurants.

The Group plans and has started to implement a series of mitigation measures, such as obtaining credits from banks, negotiating lower rents for its restaurants, minimizing controllable costs and expanding delivery services. However, the Directors believe that the results of these measures may not be evident in the short term and the financial effects of the epidemic cannot be reasonably estimated as at the date of this annual report given the inherent uncertainty involved in the circumstances.

Outlook for 2020

In 2020, the Group will continue its efforts to achieve its goal of becoming the leading operator of fast casual restaurant industry and maintaining its leading position as a hotpot restaurant chain operator in China. In particular, the Group plans to explore additional growth drivers, improve its same-store sales, further expand its restaurant network, control its costs cautiously, strengthen organization and human resources management and maintain stringent food safety and quality standard.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2019 and the status of the Company's and the Group's financial affairs as at that date are set out in the financial statements on pages 66 to 72.

FINAL DIVIDEND

The Board recommends the payment of the 2019 Final Dividend of RMB0.046 per share for the year ended 31 December 2019 to be paid out of the Company's share premium account, which is subject to the approval of the Company's shareholders (the "**Shareholders**") at the AGM to be held on 29 May 2020. The 2019 Final Dividend will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 8 June 2020. The 2019 Final Dividend, if approved by the Shareholders at the AGM, will be paid on or about 18 June 2020 to those Shareholders whose names appear on the register of members of the Company on 8 June 2020.

DIVIDEND POLICY

Pursuant to the dividend policy adopted by the Company, distributions of dividends are determined at the discretion of the Board. In determining whether any distribution shall be made and the amount of dividends, the Board shall take into account the Company's results of operations, cash flows, financial condition, capital requirements, business plans and prospects and any other conditions which the Board deems relevant. Any declaration and payment as well as the amount of dividends will be subject to compliance with the Company's constitutional documents and companies law of the Cayman Islands.

The Company will evaluate its dividend policy and distributions made in any particular year in light of its financial position, the prevailing economic climate and expectations about the future macroeconomic environment and business performance.

RESERVES

Changes to the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statements of changes in equity.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE INCENTIVE SCHEMES

Details of the Company's share capital and share incentive schemes are set out in Notes 30 and 31 to the consolidated financial statements and the paragraph headed "Pre-IPO Share Incentive Plan and Restricted Share Unit Scheme" below, respectively.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 are set out in Note 36 to the consolidated financial statements.

DONATION

Donations made by the Group during the year ended 31 December 2019 amounted to RMB13,544 (2018: RMB445,856).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

PURCHASE, SALE OR 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 year ended 31 December 2019.

For details of the Shares purchased by the RSU Trustee for the purpose of the RSU Scheme during the year ended 31 December 2019, please refer to the section headed "Pre-IPO Share Incentive Plan and Restricted Share Unit Scheme — Restricted Share Unit Scheme" below and Note 31 to the consolidated financial statements.

PRE-IPO SHARE INCENTIVE PLAN AND RESTRICTED SHARE UNIT SCHEME

Pre-IPO Share Incentive Plan

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

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

Each Award is evidenced by an award agreement, which shall contain the terms for such Award, as well as any other terms, provisions, or restrictions that may be imposed on the Award, and in the case of Options, any Shares subject to the Option, and in each case subject to the applicable provisions and limitations of the Pre-IPO Share Incentive Plan. The maximum number of Shares which may be issued and/or delivered pursuant to all Awards granted under the Pre-IPO Share Incentive Plan must not exceed 40,000,000 Shares (representing approximately 3.70% of the total issued Shares as at the date of this annual report).

As at 31 December 2019, Options to subscribe for an aggregate of 6,162,944 Shares (representing approximately 0.57% of the total issued Shares as at the date of this annual report) have been granted by the Company and are outstanding under the Pre-IPO Share Incentive Plan. No Share Award has been granted or agreed to be granted under the Pre-IPO Share Incentive Plan since the adoption of the plan.

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

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

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

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

(i) the par value of the Shares of the Company; and

(ii) the value as reasonably determined by the administrator,

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

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

All of the Options granted under the Pre-IPO Share Incentive Plan were granted in four different tranches on 31 August 2009, 17 May 2011, 24 December 2012 and 21 March 2014. As at 31 December 2019, there are altogether 19 Option holders including an executive Director and the chief executive officer of the Group, a former executive Director and chief executive officer of the Group and 17 other employees of the Group. Details of the Options granted under the Pre-IPO Share Incentive Plan and outstanding as at 31 December 2019 and details of the vesting period, exercise period and the exercise price are set out below:

Name of Option holder	Position held with the Group	Number of Shares represented by the Options at 1 January 2019	Date of grant	Exercise price (RMB)	Exercised during the year	Weighted average closing price of the Shares immediately before the dates on which the Options were exercised (HKD)[1]	Cancelled during the year	Lapsed during the year	Number of Shares represented by the Options at 31 December 2019
Directors									
Yang Shuling[2]	Executive Director and Chief Executive Officer	350,000	31 August 2009	0.84	350,000	12.79	–	–	–
		891,200	17 May 2011	1.79	891,200	10.26	–	–	–
		1,148,750	24 December 2012	1.84	1,148,750	10.26	–	–	–
		2,711,079	21 March 2014	2.78	859,493	10.26	–	–	1,851,586
Zhao Yi[3]	Executive Director and Chief Executive Officer	1,627,890	21 March 2014	2.78	–	–	–	–	1,627,890
		6,728,919			**3,249,443**		**–**	**–**	**3,479,476**
Senior management members of the Group									
17 other employees of the Group		323,250	31 August 2009	0.84	323,250	10.36	–	–	–
		721,028	17 May 2011	1.79	389,228	11.03	–	–	331,800
		697,367	24 December 2012	1.84	222,920	11.06	–	–	474,447
		1,987,145	21 March 2014	2.78	109,924	11.73	–	–	1,877,221
		3,728,790			**1,045,322**		**–**	**–**	**2,683,468**
Total		673,250	31 August 2009	0.84	673,250	11.62	–	–	–
		1,612,228	17 May 2011	1.79	1,280,428	10.49	–	–	331,800
		1,846,117	24 December 2012	1.84	1,371,670	10.39	–	–	474,447
		6,326,114	21 March 2014	2.78	969,417	10.43	–	–	5,356,697
		10,457,709			**4,294,765**		**–**	**–**	**6,162,944**

Notes:

(1) As a result of the exercise of the Options under the Pre-IPO Share Incentive Plan during the year ended 31 December 2019, a total of 4,294,765 Shares had been issued in 2019 and the total funds received by the Company with respect to the exercise of such Options amounted to RMB9,543,162.97.

(2) Ms. Yang Shuling resigned as an executive Director and the chief executive officer of the Group with effect from 29 August 2019.

(3) Ms. Zhao Yi was appointed as an executive Director and the chief executive officer of the Group with effect from 29 August 2019.

Details of movements in the Options under the Pre-IPO Share Incentive Plan are also set out in Note 31 to the consolidated financial statements.

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

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

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

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

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

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

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

No further Options have been granted under the Pre-IPO Share Incentive Plan after the Listing Date. Save as disclosed above, during the year ended 31 December 2019, no Options have been exercised by the holders, nor have any of the Options lapsed or been cancelled.

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

Restricted Share Unit Scheme

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

The purpose of the RSU Scheme is to incentivize Directors (excluding independent non-executive Directors), senior management, officers and other selected personnel of the Group ("**RSU Eligible Persons**") for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme.

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**"). As at 31 December 2019, the remaining life of the RSU Scheme is approximately five years.

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**") and approximately 3.9% of the total issued Shares of the Company as at the date of this annual report. The RSU Scheme Limit may be refreshed from time to time subject to prior approval from the Shareholders in general meeting, provided that the total number of Shares underlying the RSUs granted following the date of approval of the refreshed limit (the "**New Approval Date**") under the limit as refreshed from time to time must not exceed 4% of the number of Shares in issue as of the relevant New Approval Date. Shares underlying the RSUs previously granted under the RSU Scheme (including RSUs that have lapsed or been canceled in accordance with the rules of the RSU Scheme) prior to such New Approval Date will not be counted for the purpose of calculating the limit as refreshed.

The Board may not grant any RSUs to any RSU Eligible Person in any of the following circumstances:

a) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless the Board determines otherwise; or

b) where granting the RSUs would result in a breach by the Company, its subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or

c) after inside information has come to the knowledge of the Company until such inside information has been announced as required under the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

    1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

    2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement; or

d) where such grant of RSUs would result in breach of the limits set out in the rules of the RSU Scheme. Under such rules, 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) must not exceed 4% of the total number of Shares in issue as at the Listing Date.

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

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

The Company has appointed Computershare Hong Kong Trustees Limited as the RSU Trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme. During the year ended 31 December 2019, the RSU Trustee purchased an aggregate of 860,000 Shares at a total cash consideration of approximately HK$7.6 million on-market to hold on trust for the benefit of the RSU Participants pursuant to the RSU Scheme and the RSU Trust Deed. As of the date of this annual report, the 4,707,138 Shares, representing approximately 0.44% of the total issued Shares of the Company as of the date of this annual report, remained to be held by the RSU Trustee. 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.

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

(a) direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which the Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or

(b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) less any exercise price (where applicable) and after deduction of any tax, levies, stamp duty and other charges applicable to the sale of any Shares to fund such payment and in relation thereto.

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

As of 31 December 2019, RSUs in respect of an aggregate of 4,707,138 Shares, representing approximately 0.44% of the total issued Shares of the Company as of the date of this annual report, remained outstanding. Details of the RSUs granted under the RSU Scheme and outstanding as of 31 December 2019 and details of the vesting period and the movements in RSUs during the year ended 31 December 2019 are set out below:

Name of grantees of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 January 2019	Date of grant	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Number of Shares represented by RSUs at 31 December 2019
Directors								
Ho Kuang-Chi	Chairman of the Board and Executive Director	985,967	8 May 2017	—	246,491	—	—	739,476
		—	14 December 2018	527,689	—	—	—	527,689
Yang Shuling(1)	Executive Director and Chief Executive Officer	955,395	17 November 2016	—	318,464	—	—	636,931
		985,967	8 May 2017	—	246,491	—	—	739,476
Zhao Yi(2)	Executive Director and Chief Executive Officer	555,873	17 November 2016	—	185,291	—	—	370,582
		654,075	8 May 2017	—	163,518	—	—	490,557
		—	14 December 2018	302,459	—	—	—	302,459
Sub-total		4,137,277		830,148	1,160,255	—	—	3,807,170
Employees of the Group								
18 other employees of the Group		352,548	17 November 2016	—	117,512	—	—	235,036
		968,465	8 May 2017	—	184,105	367,965	—	416,395
		—	31 January 2018	33,378	—	—	—	33,378
		—	14 December 2018	170,833	—	—	—	170,833
		—	22 January 2019	44,326	—	—	—	44,326
Sub-total		1,321,013		248,537	301,617	367,965	—	899,968
Total		**5,458,290**		**1,078,685**	**1,461,872**	**367,965**	—	**4,707,138**

Notes:

(1) Ms. Yang Shuling resigned as an executive Director and the chief executive officer of the Group with effect from 29 August 2019.

(2) Ms. Zhao Yi was appointed as an executive Director and the chief executive officer of the Group with effect from 29 August 2019.

Details of movements in the RSUs under the RSU Scheme are also set out in Note 31 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

In addition, the RSUs granted on 31 January 2018 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.

In addition, the RSUs granted on 14 December 2018 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 2020;

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

(iii) as to 25% of the RSUs on 1 April 2022; and

(iv) as to the remaining 25% of the RSUs on 1 April 2023.

In addition, the RSUs granted on 22 January 2019 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 (the "**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 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 annual 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 is obtained. In addition, the total options granted under a Subsidiary Share Option Scheme to a substantial shareholder or an independent non-executive Director 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. The remaining life of the Subsidiary Share Option Schemes is approximately three years and two months.

As of 31 December 2019, 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.

DIRECTORS

The Directors of the Company during the year were:

Directors

Name	Position
Mr. Ho Kuang-Chi	Chairman of the Board and Executive Director
Ms. Yang Shuling (resigned with effect from 29 August 2019)	Chief Executive Officer and Executive Director
Ms. Zhao Yi (appointed with effect from 29 August 2019)	Chief Executive Officer and Executive Director
Ms. Chen Su-Yin	Non-executive Director
Mr. Zhang Chi	Non-executive Director
Ms. Li Jie	Alternate Director to Mr. Zhang Chi
Ms. Hsieh Lily Hui-yun	Independent Non-executive Director
Mr. Hon Ping Cho Terence	Independent Non-executive Director
Ms. Cheung Sze Man	Independent Non-executive Director

In accordance with article 83(3) of the articles of association of the Company, Ms. Zhao Yi, who was appointed as an executive Director by the Board with effect from 29 August 2019 to fill a casual vacancy, shall hold office until the AGM and, being eligible, offers herself for re-election.

In accordance with the article 84(1) of the articles of association of the Company, Ms. Hsieh Lily Hui-yun, Mr. Hon Ping Cho Terence and Ms. Cheung Sze Man shall retire by rotation at the AGM and they being eligible, offer themselves for re-election.

None of the Directors has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as the related party transactions as disclosed in Note 35 to the consolidated financial statements and the connected transactions as disclosed in the section headed "Connected Transactions" in this Directors' Report, no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director and/or any of its connected entity had a material interest, whether directly or indirectly, and no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of their subsidiaries, subsisted at the end of the year or at any time during the year.

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

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

As at 31 December 2019, the interests and short positions of the Directors or the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") were as follows:

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	41.64%
	Beneficial owner	246,491	0.02%
	Beneficiary of a trust	1,267,165	0.07%
Ms. Zhao Yi[(3)]	Beneficial owner	1,627,890	0.15%
	Beneficiary of a trust	1,163,598	0.08%
Ms. Chen Su-Yin[(2)(4)]	Interest of spouse	451,513,656	41.73%

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 246,491 Shares and RSUs representing 1,267,165 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. Zhao Yi is interested in options representing 1,627,890 underlying shares granted to her under the Pre-IPO Share Incentive Plan and RSUs representing 1,163,598 shares held on trust on her behalf by the RSU Trustee which can be exercised for nil consideration and are subject to vesting. Ms. Zhao Yi was appointed as an executive Director and the chief executive officer of the Group with effect from 29 August 2019.

(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 at 31 December 2019, the Company had 1,080,688,040 issued Shares.

(b) Interests in other members of the Group

So far as the Directors are aware, as at 31 December 2019, 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$1,000,000	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 at 31 December 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, 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	41.64%
Ying Qi Investments Limited(2)	Beneficial owner	450,000,000	41.64%
Gap (Bermuda) Limited(3)	Interest of controlled corporation	207,000,000	19.15%
General Atlantic Genpar (Bermuda), L.P.(3)	Interest of controlled corporation	207,000,000	19.15%
General Atlantic Partners (Bermuda) II, L.P.(3)	Interest of controlled corporation	207,000,000	19.15%
General Atlantic Singapore Fund Interholdco Ltd.(3)	Interest of controlled corporation	207,000,000	19.15%
General Atlantic Singapore Fund Pte. Ltd.(3)	Beneficial owner	207,000,000	19.15%
Mr. Ma Sean(4)	Interest of controlled corporation	78,234,500	7.24%
Snow Lake Capital (HK) Limited(4)	Investment manager	78,234,500	7.24%
Snow Lake Capital Limited(4)	Investment manager	78,234,500	7.24%
Hillhouse Capital Management, Ltd.(5)	Investment Manager	57,720,500	5.34%
Gaoling Fund, L.P.(5)	Beneficial owner	55,920,000	5.17%

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) Snow Lake Capital Limited and Snow Lake Capital (HK) Limited, both wholly owned by Mr. Ma Sean, are the investment managers of, and manage, Snow Lake China Master Fund, Ltd., Snow Lake Asia Master Fund Limited and Snow Lake China Master Long Fund, Ltd. Each of Snow Lake China Master Fund, Ltd., Snow Lake Asia Master Fund Limited and Snow Lake China Master Long Fund, Ltd. held 51,500,000 shares, 14,500,000 shares and 12,234,500 shares, respectively. Accordingly, Mr. Ma Sean, Snow Lake Capital Limited and Snow Lake Capital (HK) Limited are deemed to be interested in the 51,500,000 shares held by Snow Lake China Master Fund, Ltd., 14,500,000 shares held by Snow Lake Asia Master Fund Limited and 12,234,500 shares held by Snow Lake China Master Long Fund, Ltd..

(5) Hillhouse Capital Management, Ltd. is the investment manager of, and manages, both Gaoling Fund, L.P. and YHG Investment, L.P.. Gaoling Fund, L.P. and YHG Investment, L.P. held 55,920,000 Shares and 1,800,500 Shares, respectively. Accordingly, Hillhouse Capital Management, Ltd. is deemed to be interested in the 55,920,000 Shares held by Gaoling Fund, L.P. and 1,800,500 Shares held by YHG Investment, L.P. by virtue of the SFO.

(6) As at 31 December 2019, the Company had 1,080,688,040 issued Shares.

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

Save as disclosed above, as at 31 December 2019, 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.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

As a restaurant chain, we have a large and diverse customer base. Our revenue derived from our five largest customers accounted for less than 30% of our total revenue for the year ended 31 December 2019.

During the year ended 31 December 2019, the purchases of food ingredients and other supplies from the Group's five largest suppliers accounted for 17% of the Group's total purchases from all suppliers for the same period. The purchases from the Group's single largest supplier for the year ended 31 December 2019 accounted for 5.23% of the Group's total purchases from all suppliers for the same period. All of our five largest suppliers are independent third parties. None of our Directors, any of their close associates or any Shareholders that, to the knowledge of our Directors, own more than 5% of the issued share capital of the Company had any interest in any of the five largest suppliers during the year ended 31 December 2019.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

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

EMPLOYEE RETIREMENT BENEFITS

Particulars of the employee retirement benefits of the Group are set out in Note 34 to the consolidated financial statements.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

AUDITOR

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

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium and retained earnings totaling approximately RMB422.9 million (2018: RMB523.9 million).

BANK AND OTHER LOANS

The Group did not have any short-term or long-term bank borrowings or other loans as at 31 December 2019.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as disclosed under the section headed "Pre-IPO Share Incentive Plan and Restricted Share Unit Scheme" above, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this annual report, of the Directors and directors of the Company's subsidiaries, or their respective associates had interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the articles of association of the Company. Such provisions were in force throughout the year ended 31 December 2019 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

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 Shares were issued at HK$4.70 per Share for a total of approximately HK$1,067.4 million. Furthermore, on 9 January 2015, the joint global coordinators to the Global Offering partially exercised the over-allotment option granted by the Company under the Global Offering and pursuant to which the Company had issued and allotted an aggregate of 9,436,500 additional Shares at HK$4.70 per Share for a total of approximately HK$44.4 million. The net proceeds raised by the Company from the 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 31 December 2019, the Company utilized approximately 72.52%, or HK$756.6 million of the net proceeds from the Global Offering, (i) HK$666.6 million of which had been utilized to open new and renovate old restaurants; (ii) HK$60.9 million of which had been utilized to purchase the land use rights of two parcels of land in Beijing and Tianjin. These two properties are used for the construction of the second central kitchen of the Group and a logistics center to support the future growth of the Group's operations; and (iii) HK$29.1 million of which had been utilized to provide for working capital and other general corporate purposes. The remaining net proceeds had 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 2020 and in the upcoming years, the Group will continue to utilize the net proceeds from the Global Offering for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. It is expected to be fully utilized within next four years.

CONNECTED TRANSACTIONS

1. Framework Cooperation Agreement

On 30 September 2019, the Company entered into a framework cooperation agreement (the "**Framework Cooperation Agreement**") with Tea Mi Tea (HK) Holdings Co., Limited ("**Tea Mi Tea (HK)**", a company wholly-owned by Mr. Ho Kuang-Chi ("**Mr. Ho**"), a substantial Shareholder and an executive Director, and is therefore a connected person of the Company), pursuant to which (i) Tea Mi Tea (HK) agreed to sell ingredients needed for the production of the tea beverages and tea snack products that are currently selling and/or expected to be sold at the Group's restaurants (the "**Tea Beverages and Tea Snacks**") and to provide relevant operational support, primarily (a) recipes of the Tea Beverages and Tea Snacks and proprietary know-how as to the on-site preparation of the Tea Beverages and Tea Snacks; (b) advices on development of new products of the Tea Beverages and Tea Snacks; and (c) staff training in respect of operation workflow at the restaurants, to the Group; and (ii) the Company agreed to pay royalty fee for the sales of tea beverages and tea snacks at the Group's restaurants with Tea Mi Tea (HK), which is calculated based on the 5% of the revenue from the sales of such tea beverages and tea snacks at the Group's restaurants (the "**Royalty Fee**"). The Framework Cooperation Agreement is for a term commencing from 1 October 2019 to 31 December 2020. The sale price of the ingredients needed for the production of the Tea Beverages and Tea Snacks shall be determined by the parties after arm's length negotiations and at the lowest market price, based on (i) the historical purchase price, (ii) the procurement cost, including the cost of raw materials and administrative expenses, incurred in connection with the procurement of the ingredients, and (iii) the market price of similar ingredients sold by comparable companies to independent third parties. The Royalty Fee shall be calculated based on the revenue generated from the sales of Tea Beverages and Tea Snacks stated on the monthly sales reports to be provided by the Group to Tea Mi Tea (HK) and its subsidiaries. The annual caps for purchase of ingredients by the Group to Tea Mi Tea (HK) under the Framework Cooperation Agreement for the year ended 31 December 2019 and the year ending 31 December 2020 are RMB22,470,000 and RMB115,400,000, respectively. The annual caps for Royalty Fee paid by the Group to Tea Mi Tea (HK) under the Framework Cooperation Agreement for the year ended 31 December 2019 and the year ending 31 December 2020 are RMB4,320,000 and RMB22,200,000, respectively. The fees payable to Tea Mi Tea (HK) shall be billed on a bi-monthly basis and paid within five business days of the settlement day. The aggregate amounts of Royalty Fee and purchase of ingredients paid by the Group to Tea Mi Tea (HK) under the Framework Cooperation Agreement during the year ended 31 December 2019 was RMB3,164,000 and RMB13,390,000, respectively.

2. Licensing Agreement

On 31 May 2019, Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. ("**Xiabuxiabu HK**") entered into a licensing agreement (the "**Licensing Agreement**") with Xiabuxiabu (China) Food Co. Ltd. (the "**JV Subsidiary**", a company indirectly owned as to 40% by Mr. Ho, a substantial Shareholder and an executive Director, and is therefore a connected person of the Company), pursuant to which Xiabuxiabu HK grants to the JV Subsidiary an exclusive and non-transferable right and license to use certain trademarks owned by Xiabuxiabu HK in connection with the production and sale of certain condiment products for an initial term commencing from 1 June 2019 and ending on 31 December 2020. Xiabuxiabu HK shall charge a royalty equaling 1% of the total revenue of the JV Subsidiary generated from the sale of such condiment products. The annual caps for the royalties payable by the JV Subsidiary to Xiabuxiabu HK under the Licensing Agreement for the year ended 31 December 2019 and the year ending 31 December 2020 are RMB2,000,000 and RMB6,000,000, respectively. The royalties shall be paid by the JV Subsidiary to Xiabuxiabu HK on an annual basis. The aggregate amounts of fees payable by the JV Subsidiary to Xiabuxiabu HK under the Licensing Agreement during the year ended 31 December 2019 was RMB693,000.

3. Framework Purchase Agreement

On 31 May 2019, Xiabuxiabu HK entered into a framework purchase agreement (the "**Framework Purchase Agreement**") with the JV Subsidiary (a company indirectly owned as to 40% by Mr. Ho, a substantial Shareholder and an executive Director, and is therefore a connected person of the Company), pursuant to which the JV Subsidiary agreed to sell, and the Company agreed to purchase, certain condiment products from the JV Subsidiary for sale in the Group's restaurants. The Framework Purchase Agreement shall have an initial term commencing from 1 June 2019 and ending on 31 December 2020. The purchase price of such condiment products shall be determined by the Group and the JV Subsidiary with reference to (i) the lowest price of such condiment products sold by the JV Subsidiary to independent third party distributors and retail channels within the same area and region; (ii) a pre-determined discount of 5% on the price of such condiment products granted to the Group by the JV Subsidiary in light of its relationship with the Group; and (iii) the prevailing market price of similar products in the condiment product market. The annual caps for the purchase amount payable by the Group to the JV Subsidiary under the Framework Purchase Agreement for the year ended 31 December 2019 and the year ending 31 December 2020 are RMB36,000,000 and RMB96,000,000, respectively. The payment for the purchases of condiment products shall be made by the Group within 60 days following the delivery of such condiment products and the issuance of official invoices by the JV Subsidiary to the Group. The aggregate amounts of purchase amount payable by the Group to the JV Subsidiary under the Framework Purchase Agreement during the year ended 31 December 2019 was RMB6,115,000.

4. Renewed Lease Agreement

On 30 April 2017, Xiabuxiabu Restaurant Management Co., Ltd. ("**Xiabu Beijing**", an indirect wholly-owned subsidiary of the Company) entered into a renewed lease agreement (the "**Renewed Lease Agreement**") with Xiabuxiabu Fast Food Chain Management Co., Ltd. ("**Xiabu Fast Food**", a company wholly-owned by Mr. Ho, a substantial Shareholder and an executive Director, and is therefore a connected person of the Company) to lease the factory located at Suncun Industrial Development Zone, Huangcun Town, Daxing District, Beijing, PRC with a total area of 7,066.75 square meters for a term of three years commencing on 1 May 2017. The leased property is used for industrial purpose and which is utilized by Xiabu Beijing as the food processing plant and warehouse. The monthly rental under the Renewed Lease Agreement is RMB100,000 for the period commencing from 1 May 2017 and ending on 30 April 2020. The transactions under the lease agreement and the Renewed Lease Agreement constitute de minimis continuing connected transactions under Rule 14A.76(1) of the Listing Rules. The transactions under the Renewed Lease Agreement also constitute related party transactions of the Company under IFRS, details of which are set out in Note 35 to the consolidated financial statements.

In the opinion of the independent non-executive Directors, the continuing connected transactions above were entered into by the Group:

(i) in the ordinary and usual course of its business;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Further, the Board has engaged the auditor of the Company to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2019 has been provided by the Company to the Stock Exchange.

In respect of the continuing connected transactions, the Company has complied with the disclosure requirements under the Listing Rules in force from time to time.

All references above to other sections, reports or notes in this annual report form part of this Directors' report.

By order of the Board
Ho Kuang-Chi
Chairman

Hong Kong, 7 April 2020

The Company is committed to achieving high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the Corporate Governance Code and Corporate Governance Report (the "**Code**") set out in Appendix 14 to the Listing Rules and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2019, the Company has complied with the applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules.

BOARD OF DIRECTORS

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

Pursuant to code provision A.2.1 of the Code, the roles of chairman and chief executive are separate and are being performed by two different individuals. Mr. Ho Kuang-Chi is the Chairman of the Company. With extensive experience in the industry, Mr. Ho is responsible for formulating the overall development strategies and business plan of our Group and is instrumental to the Company's growth and business expansion since its establishment in 1998. During the year, Ms. Yang Shuling (from 1 January 2019 to 28 August 2019) and Ms. Zhao Yi (from 29 August 2019 to 31 December 2019), respectively, is the Chief Executive Officer of the Group and is responsible for overseeing the management and strategic development of our Group. On 29 August 2019, Ms. Yang Shuling resigned as an executive Director and the Chief Executive Officer of the Group and Ms. Zhao Yi has been appointed as an executive Director and the Chief Executive Officer of the Group.

From 1 January 2019 to 28 August 2019, the Board consisted of seven Directors, namely Mr. Ho Kuang-Chi (Chairman) and Ms. Yang Shuling (Chief Executive Officer) as executive Directors, Ms. Chen Su-Yin and Mr. Zhang Chi (with Ms. Li Jie as his alternate) as non-executive Directors, and Ms. Hsieh Lily Hui-yun, Mr. Hon Ping Cho Terence and Ms. Cheung Sze Man as independent non-executive Directors. On 29 August 2019, Ms. Yang Shuling resigned as an executive Director and the Chief Executive Officer of the Group and Ms. Zhao Yi has been appointed as an executive Director and the Chief Executive Officer of the Group. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Company has also adopted a board diversity policy to set out the approach adopted by the Board regarding diversity of Board members. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a director of the Company. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

The biographies of the Directors are set out on pages 26 to 28 of this annual report.

Except Ms. Zhao Yi, each of the executive Directors has entered into a service contract with the Company on 28 November 2014, which was renewed in 2017 for a further term of three years. Ms. Zhao Yi has entered into a service contract with the Company on 29 August 2019. The Company has issued letters of appointment to each of the non-executive Directors, namely Ms. Chen Su-Yin on 28 November 2014 which was renewed in 2017 for a further term of three years, and Mr. Zhang Chi on 22 August 2017, respectively, and also to the independent non-executive Directors on 28 November 2014, which were renewed in 2017 for a further term of three years. The principal particulars of these service contracts and letters of appointment are (a) for a term of three years commencing from 28 November 2017 for all Directors, except the term of appointment of Mr. Zhang Chi and Ms. Zhao Yi is three years commencing from 23 August 2017 and 29 August 2019, respectively, and (b) subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the articles of association of the Company and the applicable Listing Rules.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors for the year ended 31 December 2019 was approximately RMB9.6 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors for 2019 are set out in Note 12 to the consolidated financial statements. In addition, pursuant to code provision B.1.5 of the Code, the annual remuneration of members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration band	**Number of senior management member**
HKD1,000,001 to HKD1,500,000	1
HKD1,500,001 to HKD2,000,000	—
HKD2,000,001 to HKD2,500,000	1

During the year ended 31 December 2019, the Company has three independent non-executive Directors, which meets the requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board and should not be less than three.

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

Directors have access to the services of the company secretary to ensure that the Board procedures are followed. The company secretary of the Company is Ms. Ng Sau Mei. Ms. Ng Sau Mei is an associate director of TMF Hong Kong Limited, and is responsible for provision of corporate secretarial and compliance services to listed company clients. Her primary corporate contact person at the Company is Ms. Zhao Yi, an executive Director and the Chief Executive Officer of the Group. In compliance with Rule 3.29 of the Listing Rules, Ms. Ng Sau Mei has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

Each of the Directors attended various trainings in 2019, including the trainings for the reporting procedures and disclosure obligations regarding notifiable and connected transactions under the Listing Rules, for the disclosure of interests obligations under the SFO, for the Director's duties and responsibilities and continuous obligations and for the Model Code, etc. The Company will continue to arrange suitable training for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

During the year ended 31 December 2019, the Board held four meetings to discuss and approve, among others, the overall strategies and policies of the Company, as well as to review and approve the Company's 2018 annual report, 2018 annual results announcement, the payment of final dividend, 2019 interim report, 2019 interim results announcement and the payment of interim dividend.

The table below sets out the details of Board meetings attendance of each Director during the year ended 31 December 2019.

Director	**Number of Board meetings requiring attendance**	**Number of Board meetings attended**
Mr. Ho Kuang-Chi	4	4
Ms. Yang Shuling (resigned with effect from 29 August 2019)	2	2
Ms. Zhao Yi (appointed with effect from 29 August 2019)	2	2
Ms. Chen Su-Yin	4	4
Mr. Zhang Chi	4	4*
Ms. Hsieh Lily Hui-yun	4	4
Mr. Hon Ping Cho Terence	4	4
Ms. Cheung Sze Man	4	4

* Four meetings were attended by his alternate Director, Ms. Li Jie.

In 2019, the Company convened and held one general meeting, being the 2018 annual general meeting held on 24 May 2019. Except for Ms. Yang Shuling and Mr. Zhang Chi, five of the then Directors attended the 2018 annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

During the year ended 31 December 2019, the Audit Committee held two meetings to consider the Company's 2018 annual report, 2018 annual results announcement, 2019 interim report, 2019 interim results announcement and the report on audit plan for the year of 2019 by Deloitte Touche Tohmatsu, the external auditor of the Company. The Audit Committee also assessed the risk management and internal control measures of the Company.

The table below sets out the details of meetings attendance of each member of the Audit Committee during the year ended 31 December 2019.

Director	Number of meetings requiring attendance	Number of meetings attended
Ms. Hsieh Lily Hui-yun	2	2
Mr. Hon Ping Cho Terence	2	2
Mr. Zhang Chi	2	2*

* Two meetings were attended by his alternate Director, Ms. Li Jie.

NOMINATION COMMITTEE

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

During the year ended 31 December 2019, the Nomination Committee held two meetings to review the Board structure, the board diversity policy, the independence of the independent non-executive Directors and to review and recommend for the Board's approval on the appointment of executive Director as well as the re-election of the retiring Directors.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the year ended 31 December 2019.

Director	Number of meetings requiring attendance	Number of meetings attended
Mr. Ho Kuang-Chi	2	2
Ms. Hsieh Lily Hui-yun	2	2
Ms. Cheung Sze Man	2	2

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors.

Nomination Process

The Company has adopted a nomination policy (the "**Nomination Policy**"), which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors.

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process as set out in the Nomination Policy:

(i) the Nomination Committee will, giving the consideration to the current composition, diversity and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort on suitable candidates;

(ii) the Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertisements, recommendations from an independent agency firm and proposals from Shareholders;

(iii) the Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as conducting interviews, background checks, presentations and third-party reference checks;

(iv) upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(v) the Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment; and

(vi) the Board will have the final authority in determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be).

Board Diversity Policy

The Company has formulated and adopted the board diversity policy (the "**Board Diversity Policy**") for compliance with the Listing Rules and the code provisions of the Code concerning the diversity of Board members. The Board Diversity Policy sets out the approach adopted by the Board regarding diversity of Board members.

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance and recognizes diversity at Board level as an essential element in maintaining competitive advantage and sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. As of the date of this annual report, a majority of the members of the Board are female.

The Board strives to ensure that it has the appropriate balance of skills, experience, knowledge and diversity of perspectives that are required to support the execution of its business strategies and in order for the Board to be effective.

Nomination Criteria

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board.

For nomination and appointment of Ms. ZHAO Yi as executive Director, the criteria and procedures set out above have been applied.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee with written terms of reference in compliance with the Code as set out in Appendix 14 to the Listing Rules. The Company has adopted the model described in code provision B.1.2(c)(ii) of the Code in the terms of reference of the Remuneration Committee. The Remuneration Committee has three members, being two independent non-executive Directors, namely Mr. Hon Ping Cho Terence and Ms. Cheung Sze Man, and one executive Director, namely Mr. Ho Kuang-Chi. Mr. Hon Ping Cho Terence is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations to the Board on employee benefit arrangement.

During the year ended 31 December 2019, the Remuneration Committee held two meetings to review the remuneration of the Directors and senior management as well as the policy and structure of the remuneration for the Directors and senior management, and to recommend for the Board's approval on the remuneration of the newly appointed executive Director.

The table below sets out the details of meetings attendance of each member of the Remuneration Committee during the year ended 31 December 2019.

Director	Number of meetings requiring attendance	Number of meetings attended
Mr. Hon Ping Cho Terence	2	2
Mr. Ho Kuang-Chi	2	2
Ms. Cheung Sze Man	2	2

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 during the year ended 31 December 2019.

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

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

During the year ended 31 December 2019, the Company has strictly implemented the above internal control policies and measures relating to restaurants opening and their operations, and had strictly complied with and fulfilled the relevant undertakings provided by the Company with respect to the opening of new restaurants as more particularly described in the section headed "Business — Licenses, Regulatory Approvals and Compliance Record — Fire Safety — Rectification Measures" in the Prospectus. In particular, the Group has obtained all the relevant material official licenses and permits prior to the opening of restaurants.

EXTERNAL AUDITOR

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

For the year ended 31 December 2019, the fees paid/payable to Deloitte Touche Tohmatsu for the audit of the financial statements of the Group were RMB3.3 million.

Fees paid/payable to Deloitte Touche Tohmatsu for non-audit services provided to the Group in the year were RMB0.42 million. The non-audit services conducted include consultancy on tax issues of the Company.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. A statement from the auditor about its reporting responsibilities on the financial statements is set out on pages 61 to 65 of this annual report. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimated that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibilities for maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and shareholders' interests and reviewing the effectiveness of the Company's internal control and risk management systems on an annual basis so as to ensure that internal control and risk management systems in place are adequate. The internal control and risk management systems are implemented to manage, rather than eliminate, the risks to which the Group is exposed. The systems therefore serve to provide reasonable but not absolute assurance against material misstatements or losses. The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems, and reports their findings to the Board on, at least, an annual basis. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Company has established a sound internal control and risk management system, and formulated internal guidance covering a full range of operations including restaurant opening, site selection, procurement, quality control, marketing, finance, treasury activities, finance and human resources management, with a complete organizational structure and clear responsibilities and authorizations. The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis.

As the risks faced by the Company stem primarily through various aspects of its operations, including restaurant opening, site selection, procurement, quality control, marketing and human resources management, these departments are in the best position to observe and identify recent development that might lead to material risks for the Company, and the management and the Board take into account the reports made by these departments in assessing and managing the risks.

Procedures to identify, evaluate and manage significant risks

(1) Establishment of the risk context: evaluating and reviewing the effectiveness of the risk management and internal control systems of the Group to reduce the costs of operational risk and ensure compliant operation of the Company.

(2) Formulation of the risk management policies: ensuring that the Group carries out consistent procedures and criteria for risk identification, measurement and reporting.

(3) Identification of the risks: identifying any potential risks of various business segments and key procedures.

(4) Evaluation on the risks: evaluating and rating the impact on business and its likelihood of the risks identified.

(5) Response to the risks: evaluating the risk management solutions and the effectiveness of risk management.

(6) Report and monitor: monitoring and reviewing the policies and evaluating procedures for risk management, and the measures for managing and effectiveness of controlling significant risks, and report the findings to the Board.

Procedures and internal controls for the handling and dissemination of inside information

The Board conducts regular review and assessment of inside information, discusses with the management or authorized persons of the Company about disclosure of inside information, reports to the Board once identified any inside information for dissemination. Inside information disclosure policies are formulated to provide employees with guidelines on report and disseminating inside information, confidentiality and compliance with restrictions on trading.

During the year ended 31 December 2019, the Board has reviewed the effectiveness of the internal control and risk management systems of the Group to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions, as well as the effectiveness of the internal audit functions of the Company. The review was made by discussions with the management of the Company, its external and internal auditors and the assessment conducted by the Audit Committee. The Board believes that the existing risk management and internal control systems are adequate and effective, in particular, for financial reporting and Listing Rules compliance.

SHAREHOLDERS

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

To safeguard Shareholder interests and rights, separate resolutions are and will be proposed at general meetings on each substantial issue, including the election of individual Directors.

The procedures for Shareholders to propose a person for election as Director is available on the Company's website (www.xiabu.com). Shareholders may lodge written proposal to the company secretary of the Company at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, provided that the minimum length of the period, during which such written notice is given, shall be at least seven days and that the lodgement of such notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting. In order to ensure that other shareholders would have sufficient time to receive and consider the information of the person proposed for election as a Director, Shareholders are urged to lodge their written notice of his intention to propose a person for election as Director as early as practicable in advance of the relevant general meeting and, in any case, not less than 12 business days (as defined in the Listing Rules, i.e. day(s) on which the Stock Exchange is open for business of dealing in securities) before the date scheduled for holding the relevant general meeting, so that the Company can complete the verification procedure with the Company's share registrar, and procure the publication of an announcement and/or the dispatch of a supplementary circular to Shareholders in compliance with the applicable requirements under the Listing Rules. In the event that any such written notice is received by the Company later than the 12th business day before the date of holding the relevant general meeting, the Company will need to consider whether to adjourn the relevant meeting so as to give Shareholders a notice of at least 10 business days of the proposal in accordance with the Listing Rules.

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

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019 and up to the date of this annual report, there has been no change to the Company's memorandum and articles of association. The Company's memorandum and articles of association are available on the website of the Company (www.xiabu.com) and that of the Stock Exchange.

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 66 to 143, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
Impairment of leasehold improvements and right-of-use assets	
We identified the impairment of leasehold improvements and right-of-use assets as a key audit matter due to the significance of the balance on the consolidated statement of financial position as at 31 December 2019 and the significant management estimation involved in determining the recoverable amounts of leasehold improvements and right-of-use assets. The Group recorded leasehold improvements and right-of-use assets of RMB1,033,035,000 and RMB2,076,016,000 as at 31 December 2019, respectively, and impairment loss amounting to RMB27,596,000 and RMB16,763,000 were recognized for the year ended 31 December 2019, respectively. As disclosed in Note 4 to the consolidated financial statements, that management determined whether leasehold improvements and right-of-use assets are impaired requires an estimation of the recoverable amount of individual assets or the cash generating units to which the assets belongs using a value in use calculation. Management's estimation is primarily based on the cash flow projections and the discount rate.	Our procedures in relation to impairment of leasehold improvements and right-of-use assets included: • Inquiring the management on their identification of impairment indication and their method used for the impairment assessment of leasehold improvements and right-of-use assets; • Evaluating the appropriateness of the valuation methodology and assumption of pre-tax discount rate used in determining the recoverable amount; • Evaluating the appropriateness of other key assumptions and inputs, including the growth rate of revenue and major costs (include raw materials, consumables used and staff costs) to revenue ratio by comparing to historical performance and relevant operation plans.

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

OTHER INFORMATION

The directors of the Company (the "Directors") are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tung Wai Lung Ricky.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

7 April 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	For the year ended 31 December **2019** **RMB'000**	 2018 RMB'000
Revenue	5	**6,030,167**	4,734,080
Other income	6	**53,558**	44,009
Raw materials and consumables used		**(2,225,055)**	(1,784,481)
Staff costs		**(1,544,349)**	(1,167,868)
Property rentals and related expenses		**(253,818)**	(579,751)
Utilities expenses		**(212,193)**	(170,695)
Depreciation and amortization		**(839,386)**	(221,117)
Other expenses		**(405,367)**	(288,767)
Other gains and losses	7	**(5,519)**	44,030
Finance costs	8	**(94,845)**	—
Profit before tax	9	**503,193**	609,440
Income tax expense	10	**(212,555)**	(147,468)
Profit for the year		**290,638**	461,972
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss, net of income tax:			
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 year		**290,638**	462,041

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	For the year ended 31 December **2019** **RMB'000**	 2018 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**288,100**	462,478
Non-controlling interest		**2,538**	(506)
		290,638	461,972
Total comprehensive income (expense) attributable to:			
Owners of the Company		**288,100**	462,547
Non-controlling interest		**2,538**	(506)
		290,638	462,041
Earnings per share			
— basic (RMB cents)	11	**27.02**	43.49
— diluted (RMB cents)	11	**26.78**	42.81

Consolidated Statement of Financial Position

As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	**RMB'000**	RMB'000
Non-current assets			
Property, plant and equipment	14	**1,313,377**	911,088
Right-of-use assets	15	**2,076,016**	—
Intangible assets		**3,482**	1,723
Lease prepayments for land use right	16	**—**	47,218
Deferred tax assets	17	**79,192**	134,110
Rental deposits	18	**147,183**	120,353
		3,619,250	1,214,492
Current assets			
Inventories	19	**711,773**	390,381
Loan receivable	20	**60,000**	—
Trade and other receivables and prepayments	21	**378,375**	307,751
Financial assets at fair value through profit or loss ("FVTPL")	22	**71,296**	—
Bank balances and cash	23	**785,192**	1,340,692
		2,006,636	2,038,824
Current liabilities			
Trade payables	24	**350,075**	295,870
Accrual and other payables	25	**655,510**	551,281
Lease liabilities	26	**464,490**	—
Income tax payables		**96,066**	101,760
Contract liability	27	**146,017**	43,651
Deferred income	28	**1,595**	1,595
		1,713,753	994,157
Net current assets		**292,883**	1,044,667
Total assets less current liabilities		**3,912,133**	2,259,159

As at 31 December 2019

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
Non-current liability			
Deferred income	28	**10,097**	11,692
Lease liabilities	26	**1,513,972**	—
Financial liability at FVTPL	29	**1,224**	—
		1,525,293	11,692
Net assets		**2,386,840**	2,247,467
Capital and reserves			
Share capital	30	**174**	174
Share premium and reserves		**2,375,271**	2,241,265
Equity attributable to owners of the Company		**2,375,445**	2,241,439
Non-controlling interest		**11,395**	6,028
Total equity		**2,386,840**	2,247,467

The consolidated financial statements on pages 66 to 143 were approved and authorized for issue by the board of Directors on 7 April 2020 and are signed on its behalf by:

Ho Kuang-Chi	**Zhao Yi**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the company									
	Share Capital RMB'000	Share premium RMB'000	Equity-settled share-based payments reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Treasury share reserve RMB'000	Investments revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2018	173	860,027	22,566	29,091	(33,747)	(69)	1,107,490	1,985,531	—	1,985,531
Profit (loss) for the year	—	—	—	—	—	—	462,478	462,478	(506)	461,972
Other comprehensive income for the year	—	—	—	—	—	69	—	69	—	69
Total comprehensive income (expense) for the year	—	—	—	—	—	69	462,478	462,547	(506)	462,041
Recognition of equity-settled share-based payments	—	—	12,634	—	—	—	—	12,634	—	12,634
Exercise of issued share option	1	11,577	(3,802)	—	—	—	—	7,776	—	7,776
Exercise of Restricted Share Unit ("RSU") Scheme	—	(1,049)	(2,657)	—	3,706	—	—	—	—	—
Payments of dividends (Note 13)	—	(176,528)	—	—	—	—	—	(176,528)	—	(176,528)
Purchase of treasury share under RSU Scheme (Note ii)	—	—	—	—	(50,521)	—	—	(50,521)	—	(50,521)
Capital injection from non-controlling interest	—	—	—	—	—	—	—	—	6,534	6,534
At 31 December 2018	174	694,027	28,741	29,091	(80,562)	—	1,569,968	2,241,439	6,028	2,247,467
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**288,100**	**288,100**	**2,538**	**290,638**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**288,100**	**288,100**	**2,538**	**290,638**
Recognition of equity-settled share-based payments	**—**	**—**	**10,980**	**—**	**—**	**—**	**—**	**10,980**	**—**	**10,980**
Exercise of issued share option	**—**	**13,693**	**(5,078)**	**—**	**—**	**—**	**—**	**8,615**	**—**	**8,615**
Exercise of RSU Scheme	**—**	**(1,032)**	**(7,862)**	**—**	**8,894**	**—**	**—**	**—**	**—**	**—**
Payments of dividends (Note 13)	**—**	**(166,864)**	**—**	**—**	**—**	**—**	**—**	**(166,864)**	**—**	**(166,864)**
Purchase of treasury share under RSU Scheme (Note ii)	**—**	**—**	**—**	**—**	**(6,825)**	**—**	**—**	**(6,825)**	**—**	**(6,825)**
Capital injection from non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2,829**	**2,829**
Appropriation of statutory surplus reserve	**—**	**—**	**—**	**7,227**	**—**	**—**	**(7,227)**	**—**	**—**	**—**
At 31 December 2019	**174**	**539,824**	**26,781**	**36,318**	**(78,493)**	**—**	**1,850,841**	**2,375,445**	**11,395**	**2,386,840**

Notes:

(i) According to the People's Republic of China ("PRC") Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.

(ii) During the year ended 31 December 2019, the Company acquired 860,000 (2018: 4,672,500) shares from the market with consideration of HK$7,600,000 equivalent to approximately RMB6,825,000, (2018: HK$59,818,000 equivalent to approximately RMB50,521,000) for the RSU Scheme approved on 28 November 2014 by the board of Directors. Further details are disclosed in Note 31.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Operating activities		
Profit before tax	**503,193**	609,440
Adjustments for:		
Depreciation of property, plant and equipment	**321,844**	218,591
Depreciation of right-of-use assets	**514,821**	—
Impairment loss, net of reversal		
— property, plant and equipment	**27,596**	7,448
— right-of-use assets	**16,763**	—
Reversal of impairment loss of rental deposits	**—**	(1,596)
Release of lease prepayments for land use right	**—**	1,320
Amortization of intangible assets	**2,721**	1,206
Recognition of equity-settled share-based payments	**10,980**	12,634
Interest income on bank deposit	**(2,129)**	(4,952)
Interest income on loan receivable	**(2,159)**	—
Interest income on debt instrument at FVTOCI	**—**	(933)
Interest income on financial asset at amortized cost	**(5,440)**	(3,830)
Gain from changes in fair value of financial assets at FVTPL	**(36,906)**	(42,458)
Investment loss from reversing of investment revaluation reserve	**—**	69
Government grant released from deferred income	**(1,595)**	(1,595)
Foreign exchange loss (gain), net	**21**	(8,789)
Loss on disposal of property, plant and equipment, net	**428**	656
Loss on disposal of intangible assets, net	**—**	237
Finance costs	**94,845**	—
Loss on fair value changes of financial liability at FVTPL	**1,897**	—
Gain on derecognition of right-of-use assets	**(4,934)**	—
Operating cash flows before movements in working capital	**1,441,946**	787,448
Movements in working capital		
Increase in inventories	**(321,392)**	(63,598)
Decrease (Increase) in trade receivables	**2,488**	(24,803)
Increase in other receivables	**(113,956)**	(121,860)
Increase in rental deposits	**—**	(32,225)
Increase in loan receivable	**(60,000)**	—
Increase in trade payables	**54,205**	26,707
Increase in accrual and other payables	**79,515**	34,929
Decrease in deferred income	**—**	(6,844)
Increase in contract liability	**102,366**	43,651
Cash generated from operations	**1,185,172**	643,405
Income taxes paid	**(163,331)**	(150,439)
Net cash from operating activities	**1,021,841**	492,966

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Investing activities		
Interests income received	**2,182**	13,173
Purchase of financial assets at FVTPL	**(3,694,000)**	(3,610,670)
Proceeds from financial assets at FVTPL	**3,659,610**	3,653,128
Payments of financial liability at FVTPL	**(673)**	—
Proceeds from disposal of debt instrument at FVTOCI	**—**	32,696
Purchase of financial assets at amortized cost	**—**	(241,861)
Proceeds from disposal of financial assets at amortized cost	**—**	247,726
Purchases of property, plant and equipment	**(727,030)**	(491,591)
Payments for right-of-use assets	**(102,098)**	—
Payments for rental deposits	**(40,173)**	—
Proceeds from disposal of property, plant and equipment	**1,061**	587
Payments of intangible assets	**(4,480)**	(2,047)
Net cash used in investing activities	**(905,601)**	(398,859)
Financing activities		
Dividend paid	**(166,864)**	(176,528)
Repayments of leases liabilities	**(498,224)**	—
Cash from exercise of share option	**8,615**	7,776
Payment for purchase of ordinary shares (Note 31)	**(19,837)**	(50,561)
Capital injection from non-controlling interest	**2,829**	6,534
Net cash used in financing activities	**(673,481)**	(212,779)
Net decrease in cash and cash equivalents	**(557,241)**	(118,672)
Cash and cash equivalents at the beginning of the year	**1,340,692**	1,452,896
Effect of foreign exchange rate changes, net	**1,741**	6,468
Cash and cash equivalents at the end of the year represented by bank balances and cash	**785,192**	1,340,692

1. GENERAL INFORMATION

Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the main board of The Stock Exchange of Hong Kong Limited ("HKEX ") on 17 December 2014. The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111, Cayman Islands. The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as "the Group") are principally engaged in Chinese hotpot restaurant operations in the PRC.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by IASB for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(CONTINUED)*

2.1 IFRS 16 Leases *(continued)*

Definition of a lease (continued)

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of restaurants in the People's Republic of China was determined on a portfolio basis; and

v used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities range from 3.6% to 5.64%.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(CONTINUED)*

2.1 IFRS 16 Leases *(continued)*

As a lessee (continued)

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	2,790,211
Less: Value-added tax	130,355
Operating lease commitments without value-added tax	2,659,856
Lease liabilities discounted at relevant incremental borrowing rates	2,275,293
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	26,180
Change in allocation basis between lease and non-lease components	401,317
Lease liabilities relating to operating leases recognized upon application of IFRS 16	1,847,796
Lease liabilities as at 1 January 2019	1,847,796
Analysed as	
Current	387,712
Non-current	1,460,084
	1,847,796

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of use assets RMB'000
Right-of-use assets relating to operating leases recognized upon application of IFRS 16		1,847,796
Reclassified from prepaid lease payments	(a)	101,418
Adjustments on rental deposits at 1 January 2019	(b)	18,783
Less: Accrued lease liabilities relating to rent free period at 1 January 2019	(c)	1,474
		1,966,523

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(CONTINUED)*

2.1 IFRS 16 Leases *(continued)*

As a lessee (continued)

(a) Upfront payments for leasehold lands, restaurants and rented premises in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB54,200,000 and RMB47,218,000 respectively were reclassified to right-of-use assets.

(b) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under other receivables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB18,783,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(c) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables as at 1 January 2019 was adjusted to right-of-use assets at transition.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018**	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
Non-current Assets				
Lease prepayments for land use right	16	47,218	(47,218)	—
Right-of-use assets	15	—	1,966,523	1,966,523
Rental deposits	18	120,353	(18,783)	101,570
Current Assets				
Trade and other receivables and prepayments	21	307,751	(54,200)	253,551
Current Liabilities				
Accrual and other payables	25	551,281	(1,474)	549,807
Lease liabilities	26	—	387,712	387,712
Non-current Liabilities				
Lease liabilities	26	—	1,460,084	1,460,084

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(CONTINUED)*

2.1 IFRS 16 Leases *(continued)*

As a lessee (continued)

Note:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2.2 Impacts and changes in accounting policies of application of other new and amendments to IFRSs

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognized at the date of initial application, 1 January 2019, without restating comparatives.

The uncertain tax position in respective of royalty payments to Xiabuxiabu Catering Management (HK) Holdings Co., Ltd. ("Xiabu Hong Kong", the Company's subsidiary) according to the trademark license agreement between Xiabu Hong Kong and the PRC subsidiaries of the Company is estimated based on the expected value. At the end of each of the reporting period, the Directors consider the effect of changes in facts and circumstances or new information in the context of applicable tax laws relevant to the above-mentioned uncertain tax treatment and reflect the effect of uncertainty for such uncertain tax treatment at the best estimate. The Directors considered that the application of IFRIC 23 had no material impact on the consolidated financial statements upon initial application, which is detailed in Note 10.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs *(CONTINUED)*

2.2 Impacts and changes in accounting policies of application of other new and amendments to IFRSs *(continued)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on HKEX ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue from contracts with customers

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 or 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue from contracts with customers *(continued)*

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

The Group generates revenues from restaurant operation and sales of condiment products and other goods.

For restaurant operation for which the control of services is transferred at a point in time, revenue 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 goods are delivered and titles have passed.

For promotion service and delivery service for takeout orders for which the control of service is transferred at a point in time, revenue is recognized when the related services have been rendered to customers.

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

The Group operates a customer loyalty program 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 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of restaurants that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (continued)

Right-of-use assets *(continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments).

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases *(continued)*

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Government grants

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

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

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

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments

Equity-settled share-based payment transactions

Share options and restricted share units granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 31 to the Group's consolidated financial statements.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instrument expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimate, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based payments reserve.

When share options are exercised, the amount previously recognized in equity-settled share-based payments reserve will be transferred to share premium. When restricted share units are exercised, the difference between the amount previously recognized in equity-settled share-based payments reserve and the cost of purchase of treasure share before will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based payments reserve will be transferred to retained earnings.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognized impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment *(continued)*

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Intangible assets

Intangible assets acquired separately

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

Trademark	10 years
Software	3 years

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

Derecognition of intangible assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(continued)*

Deferred tax (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Inventories

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions *(continued)*

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognized at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets *(continued)*

Financial assets 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 selling and collecting contractual cash flows; and

- the contractual terms 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.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets (continued)

***Classification and subsequent measurement of financial assets** (continued)*

(ii) 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 are recognized in profit or loss. All other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. Impairment allowance are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as 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.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, rental deposits, loan receivable and bank balances and cash) which are subject to impairment under IFRS 9. 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 other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(i) 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 past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it 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 debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties;

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets (continued)

***Impairment of financial assets** (continued)*

(v) 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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 amortized 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 loan receivable 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 other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortized cost

Financial liabilities (including trade payables, other payables and lease liabilities) are subsequently measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts: and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to restaurants. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Critical judgments in applying accounting policies *(continued)*

Determination on lease term of contracts with renewal options (continued)

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs);

During the year ended 31 December 2019, the exercise of the renewal option, which is detailed in Note 15, resulted in an additional amount of RMB41,296,000 of right-of-use assets and lease liabilities recognized.

Key sources of estimation uncertainty

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

Impairment assessment of leasehold improvements and right-of-use assets

Leasehold improvements and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. The Directors review their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of each reporting period. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In determining whether an asset is impaired, the Group have to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate pre-tax discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimate the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the growth rate of revenue and major costs (include raw materials, consumables used and staff costs) to revenue ratio and the discount rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Key sources of estimation uncertainty *(continued)*

Impairment assessment of leasehold improvements and right-of-use assets (continued)

As at 31 December 2019, the carrying amounts of leasehold improvements and right-of-use assets are RMB1,033,035,000 and RMB2,076,016,000 (31 December 2018: RMB766,834,000 and Nil) respectively, after taking into account the impairment losses of RMB27,596,000 and RMB16,763,000 (2018: RMB7,448,000 and Nil) respectively. Details of the impairment of leasehold improvements and right-of-use assets are disclosed in Notes 14 and 15 respectively.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable temporary difference and taxable profit will be available. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the timing and level of future taxable profits together with future tax planning strategies. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed. As at 31 December 2019, deferred tax assets recognized are approximately RMB79,192,000 (31 December 2018: RMB134,110,000), in which RMB43,290,000 (31 December 2018: RMB111,767,000) is from deductable temporary difference of royalty expense (details reference to Note 10). No deferred tax asset has been recognized on the tax losses of RMB100,100,000 (2018: RMB30,711,000) due to the unpredictability of future profit streams. Further details are contained in Note 17.

Determination on discount rates of lease contracts

The Group applies incremental borrowing rates as the discount rates of lease liabilities, which require financing spread adjustments and lease specific adjustments based on the relevant market rates. The assessments of the adjustments in determining the discount rates involved management's judgment, which may significantly affect the amount of lease liabilities and right-of-use assets. As at December 31, 2019, the carrying amounts of right-of-use assets and lease liabilities are RMB2,076,016,000 and RMB1,978,462,000 respectively.

5. REVENUE AND SEGMENT INFORMATION

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

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Restaurant operations	**5,866,650**	4,623,340
Sales of the condiment products	**89,647**	57,693
Sales of other goods	**73,870**	53,047
	6,030,167	4,734,080

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.

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

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Mainland China	**6,018,495**	4,734,080
Hong Kong	**11,672**	—
	6,030,167	4,734,080

5. REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

The transaction allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognizing revenue are as follow:

	Customer loyalty scheme RMB'000	**Prepaid cards RMB'000**	**Advance from customer RMB'000**
Within one year	**13,123**	**128,278**	**1,465**
More than one year but not more than two years	**3,151**	**—**	**—**
Total	**16,274**	**128,278**	**1,465**

The transaction allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognizing revenue are as follow:

	Customer loyalty scheme RMB'000	Prepaid cards RMB'000	Advance from customer RMB'000
Within one year	12,869	26,251	2,204
More than one year but not more than two years	2,327	—	—
Total	15,196	26,251	2,204

The customer loyalty points have a twelve months to twenty-nine months' valid period after the grant of award credits based on different types of loyalty programmes and can be redeemed anytime within the valid period at customers' discretion. The amounts disclosed above represent the Group's expectation on the timing of redemption made by customers.

The Group issued the prepaid cards which have no expiration and can be utilized in the future consumption in restaurants at customers' discretion. The amounts disclosed above represent the Group's expectation on the timing of utilization made by customers.

6. OTHER INCOME

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest income on:		
— bank deposits	**2,129**	4,952
— financial asset at amortized cost	**5,440**	3,830
— loan receivable	**2,159**	—
— debt instrument at FVTOCI	**—**	933
	9,728	9,715
Promotion service income	**2,205**	2,710
Government grant		
— subsidy received (Note)	**11,531**	7,568
— release from deferred income (Note 28)	**1,595**	1,595
	13,126	9,163
Delivery income for takeout orders	**15,510**	16,247
Others	**12,989**	6,174
	28,499	22,421
	53,558	44,009

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

7. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Loss on disposal of property, plant and equipment, net	**(428)**	(656)
Loss on disposal of intangible assets, net	**—**	(237)
Gain on derecognition of right-of-use assets	**4,934**	—
Foreign exchange (loss) gain, net	**(21)**	8,789
Loss on closure of restaurants	**(654)**	(403)
Impairment loss reversal on rental deposits	**—**	1,596
Impairment loss recognized in respect of leasehold improvement	**(27,596)**	(7,448)
Impairment loss recognized in respect of right-of-use assets	**(16,763)**	—
Gain from changes in fair value of financial assets at FVTPL	**36,906**	42,458
Loss from changes in fair value of financial liability at FVTPL	**(1,897)**	—
Loss on disposal of debt instrument at FVTOCI	**—**	(69)
	(5,519)	44,030

8. FINANCE COSTS

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest on lease liabilities	**94,845**	—

9. PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Depreciation of right-of-use assets	**514,821**	—
Depreciation of property, plant and equipment	**321,844**	218,591
Amortization of intangible assets	**2,721**	1,206
Release of lease prepayments for land use right	**—**	1,320
Total depreciation and amortization	**839,386**	221,117
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**—**	21,120
— restaurants		
— fixed lease payment	**—**	475,993
— short-term lease (Note i)	**30,240**	—
— variable lease payment (Note ii)	**102,400**	82,638
— other rental expense (Note iii)	**121,178**	—
	253,818	558,631
Total property rentals and related expenses	**253,818**	579,751
Directors' emoluments (Note 12)	**9,647**	10,816
Other staff cost		
Salaries and other allowance	**1,438,774**	1,073,755
Equity-settled share-based payments	**4,413**	5,790
Retirement benefit contribution	**91,515**	77,507
Total staff costs	**1,544,349**	1,167,868
Auditor's remuneration	**3,300**	2,850

Note i: The short-term lease refer to lease of restaurants and rented premises, the amount are RMB9,156,000 and RMB21,084,000 respectively.

Note ii: The variable lease payment refers to the portion of property rentals based on pre-determined percentages to revenue less minimum rentals of the respective leases.

Note iii: The other rental expense refers to the property fee related to operating lease rentals.

10. INCOME TAX EXPENSE

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Enterprise income tax ("EIT")		
Current tax	**157,637**	151,652
Deferred tax (Note 17)	**54,918**	(4,184)
Total income tax recognized in profit or loss	**212,555**	147,468

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Company's subsidiary, Xiabuxiabu Catering Management (HK) Holdings Co., Ltd., incorporated in Hong Kong is qualifying for the two-tiered profits tax rates regime. Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Further, in the PRC, withholding income tax is generally imposed on assessable profits earned by foreign entities from the PRC. With respect to the trademark license agreement entered into between Xiabu Hong Kong and the PRC subsidiary in 2008, Xiabu Hong Kong has recognized taxable royalty income with reference to a predetermined percentage over the revenue earned by the PRC subsidiary and accordingly the royalty income is subjected to the withholding tax.

Under the EIT Law, withholding tax is also imposed on dividends declared and paid to non-PRC resident in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the accumulated undistributed profits of the PRC subsidiaries amounting to RMB2,001 million as at 31 December 2019 (2018: RMB1,503 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. INCOME TAX EXPENSE *(CONTINUED)*

For and since year 2015, the PRC subsidiary's payment of royalty according to the trademark license agreement to Xiabu Hong Kong which had been filed as tax deductible expenses has been withheld as endorsement of respective PRC taxation authority for such royalty payments is yet to obtain and negotiation with the tax authority is ongoing for obtaining the endorsement and finishing the process of remittance of payments. Deferred tax assets have therefore been recognized for the tax deductible royalty expenses according to the trademark license agreement and the prevailing PRC tax regulations in previous years. During the process of negotiation with the PRC tax authority for getting the consent and endorsement for making such outstanding royalty payments out of the PRC subsidiary and settling the withholding tax according to relevant tax regulations promulgated in the PRC and endorsed by the tax authority, the Directors, in reviewing the uncertain tax treatment of the Group, continuously consider effect of changes in circumstances and new information in the context of applicable tax laws as well as taking into account the Group's settlement strategy based on the latest progress of negotiation with tax authority relevant to above-mentioned royalty payment as part of an overall assessment of tax deductible amount of royalty payments for the outstanding period and reflect the effect of uncertainty over tax treatments at its best estimate as of the balance sheet date.

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

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before tax	**503,193**	609,440
Tax calculated at applicable domestic tax rates at 25%	**125,798**	152,360
Tax effect of different tax rate on intra-group royalty income and interest income subject to withholding tax	**5,745**	(556)
Effect of different tax rates of company operating in other jurisdictions	**149**	(4,731)
Tax effect of income not taxable for tax purpose	**(2,366)**	—
Tax effect of expenses not deductible for tax purposes	**13,234**	4,942
Tax effect of tax losses and deductible temporary differences not recognized	**31,308**	7,525
Utilisation of tax losses previously not recognized	**(3,321)**	(12,072)
Recognition of tax losses and deductible temporary differences previously not recognized	**(1,609)**	—
Reversal of tax losses and deductible temporary differences previously recognized	**43,617**	—
Income tax expense	**212,555**	147,468

11. EARNINGS PER SHARE

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

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	**288,100**	462,478

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

	For the year ended 31 December	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,066,334**	1,063,420
Effect of dilutive potential ordinary shares	**9,473**	16,793
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,075,807**	1,080,213

12. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's emoluments for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	For the year ended 31 December 2019					
	Directors' fee RMB'000	Salaries and allowances RMB'000	Performance related bonuses RMB'000	Retirement benefits scheme contribution RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Mr. Ho Kuang-Chi (賀光啓先生)	975	—	—	—	3,693	4,668
Ms. Yang Shuling (楊淑玲女士) (Note i)	195	450	—	—	1,752	2,397
Ms. Zhao Yi (趙怡女士) (Note ii)	78	522	—	8	1,122	1,730
Sub-total	1,248	972	—	8	6,567	8,795
Non-executive directors:						
Ms. Chen Su-Yin (陳素英女士)	213	—	—	—	—	213
Mr. Zhang Chi (張弛先生)	—	—	—	—	—	—
Ms. Li Jie (李潔女士) (Note iii)	—	—	—	—	—	—
Sub-total	213	—	—	—	—	213
Independent non-executive directors:						
Ms. Hsieh Lily Hui-yun (謝慧雲女士)	213	—	—	—	—	213
Mr. Hon Ping Cho Terence (韓炳祖先生)	213	—	—	—	—	213
Ms. Cheung Sze Man (張詩敏女士)	213	—	—	—	—	213
Sub-total	639	—	—	—	—	639
Total						9,647

12. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

	For the year ended 31 December 2018					
	Directors' fee RMB'000	Salaries and allowances RMB'000	Performance related bonuses RMB'000	Retirement benefits scheme contribution RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors:						
Mr. Ho Kuang-Chi (賀光啓先生)	942	—	—	—	2,032	2,974
Ms. Yang Shuling (楊淑玲女士) (Note i)	205	1,800	—	—	4,812	6,817
Sub-total	1,147	1,800	—	—	6,844	9,791
Non-executive directors:						
Ms. Chen Su-Yin (陳素英女士)	205	—	—	—	—	205
Mr. Zhang Chi (張弛先生)	205	—	—	—	—	205
Ms. Li Jie (李潔女士) (Note iii)	—	—	—	—	—	—
Sub-total	410	—	—	—	—	410
Independent non-executive directors:						
Ms. Hsieh Lily Hui-yun (謝慧雲女士)	205	—	—	—	—	205
Mr. Hon Ping Cho Terence (韓炳祖先生)	205	—	—	—	—	205
Ms. Cheung Sze Man (張詩敏女士)	205	—	—	—	—	205
Sub-total	615	—	—	—	—	615
Total						10,816

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

12. EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

Note:

(i) Ms. Yang Shuling resigned as an executive Director and the chief executive officer of the Group with effect from 29 August 2019.

(ii) Ms. Zhao Yi was appointed as an executive Director and the chief executive officer of the Group with effect from 29 August 2019.

(iii) Ms. Li Jie as Mr. Zhang Chi's alternate.

Of the five employees with the highest emoluments in the Group, three were the directors of the Company for the years ended 31 December 2019 (2018: two), whose emoluments are included in the disclosures above. Details of the remuneration for the year of the remaining two (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries and allowances	**2,520**	3,567
Equity-settled share-based payments	**784**	3,494
Contributions to retirement benefits scheme	**24**	47
	3,328	7,108

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

	For the year ended 31 December	
	2019	2018
HKD1,000,001 to HKD1,500,000	**1**	—
HKD1,500,001 to HKD2,000,000	**—**	2
HKD2,000,001 to HKD2,500,000	**1**	—
HKD4,500,001 to HKD5,000,000	**—**	1
Total	**2**	3

During the years ended 31 December 2019 and 2018, no Directors waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Dividends recognized as distributions during the year	**166,864**	176,528

On 28 March 2019, the Company declared a dividend of RMB0.096 per share with total dividends of RMB101,248,000 to shareholders for the year ended 31 December 2018. The dividend was paid in June 2019.

On 29 August 2019, the Company declared a dividend of RMB0.062 per share with total dividends of RMB65,616,000 to shareholders for the six months ended 30 June 2019. The dividend was paid in October 2019.

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 27 August 2018, the Company declared a dividend of RMB0.078 per share with total dividends of RMB83,743,000 to shareholders for the six months ended 30 June 2018. The dividend was paid in October 2018.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2019 of RMB0.046 per share, amounting to approximately RMB49,624,000 to be paid out of the Company's share premium amount, which is subject to the approval by the shareholders at the forthcoming general meeting, to be held on 29 May 2020. The 2019 final dividend will be declared in RMB and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hongkong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 8 June 2020. The dividend has not been included as a liability in these consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machineries RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2018	45,902	1,080,302	12,503	5,649	97,778	16,599	1,258,733
Additions	—	—	4,276	51	48,015	486,975	539,317
Transfer	—	466,348	—	—	—	(466,348)	—
Disposals	—	(5,979)	(102)	(477)	(7,068)	—	(13,626)
At 31 December 2018	45,902	1,540,671	16,677	5,223	138,725	37,226	1,784,424
Additions (Note)	**37,290**	**—**	**40,510**	**1,358**	**61,220**	**612,840**	**753,218**
Transfer	**20,787**	**575,600**	**—**	**—**	**—**	**(596,387)**	**—**
Disposals	**—**	**(117,990)**	**—**	**(578)**	**(10,185)**	**—**	**(128,753)**
At 31 December 2019	**103,979**	**1,998,281**	**57,187**	**6,003**	**189,760**	**53,679**	**2,408,889**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2018	14,711	577,176	5,743	3,617	58,433	—	659,680
Charge for the year	2,273	195,192	1,322	692	19,112	—	218,591
Eliminated on disposals	—	(3,564)	(49)	(453)	(5,902)	—	(9,968)
Eliminated impairment recognized before	—	(2,415)	—	—	—	—	(2,415)
Impairment loss recognized in profit or loss	—	7,448	—	—	—	—	7,448
At 31 December 2018	16,984	773,837	7,016	3,856	71,643	—	873,336
Charge for the year	**3,507**	**281,803**	**4,824**	**612**	**31,098**	**—**	**321,844**
Eliminated on disposals	**—**	**(105,227)**	**—**	**(482)**	**(8,792)**	**—**	**(114,501)**
Eliminated impairment recognized before upon disposal	**—**	**(12,763)**	**—**	**—**	**—**	**—**	**(12,763)**
Impairment loss recognized in profit or loss	**—**	**27,596**	**—**	**—**	**—**	**—**	**27,596**
At 31 December 2019	**20,491**	**965,246**	**11,840**	**3,986**	**93,949**	**—**	**1,095,512**
CARRYING AMOUNT							
At 31 December 2019	**83,488**	**1,033,035**	**45,347**	**2,017**	**95,811**	**53,679**	**1,313,377**
At 31 December 2018	28,918	766,834	9,661	1,367	67,082	37,226	911,088

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

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

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

As at 31 December 2019, in view of the unfavourable future prospects of some restaurants, the management of the Group concluded there was impairment indicator for related leasehold improvement and right-of-use assets and conducted impairment assessment on recoverable amounts of which with carrying amounts of RMB1,033,035,000 and RMB2,076,016,000 respectively. The Group estimates the recoverable amount of the restaurants to which the leasehold improvement and right-of-use assets belong as it is not possible to estimate the recoverable amount of the assets individually.

The recoverable amount of each restaurant has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the following remaining term with a pre-tax discount rate is 11.2% as at 31 December 2019 (2018: 17.5%). Other key assumptions for the value in use calculated are major costs (include raw materials, consumables used and staff costs) to revenue ratio, which are determined based on the restaurants' past performance and management expectations for the market development.

Based on the value in use calculation, an impairment loss of RMB27,596,000 and RMB16,763,000 (2018: RMB7,448,000 and Nil), respectively, has been recognized for leasehold improvement and right-of-use assets.

The impairment loss recognized for the above assets have been included in profit or loss in the "other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

Note: During the year, Xiabu Beijing acquired certain property, machines and fixtures at a consideration of RMB96,116,000 from two non-related individual third parties (the "Sellers") through obtaining ownership of Xilin Gol League Yishun halal meat Co., Ltd. ("Yishun") of which Yishun has become a subsidiary of the Group. According to IFRS 3, the Directors consider that the acquisition of assets does not constitute an acquisition of a business and allocating the purchase price to the identifiable items on the basis of their fair values at the date of purchase.

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2019			
Carrying amount	48,295	1,918,228	1,966,523
As at 31 December 2019			
Carrying amount	114,710	1,961,306	2,076,016
For the year ended 31 December 2019			
Depreciation charge	1,523	513,298	514,821
Impairment recognized in profit or loss (Note i)	—	16,763	16,763
	1,523	530,061	531,584
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16			30,240
Variable lease payments not included in the measurement of lease liabilities			102,400
Total cash outflow for leases (Note ii)			732,962
Additions to right-of-use assets (Note iii)			827,153

Note i:

After the assessment, the recoverable amount of the right-of-use asset was RMB2,076,016,000, and an impairment of RMB16,763,000 was recognized during the year 2019. Further details are set out in Note 14.

Note ii:

Amount includes payments of principal and interest portion of lease liabilities, variable lease payments, short-term leases and payments of lease payments on or before lease commencement date (including leasehold land and rental deposits). These amounts could be presented in operating, investing or financing cash flows.

Note iii:

Amount includes right-of-use assets resulting from lease and rental deposits addition, lease modification, reassessment/exercise of extension and payments for leasehold land for the year ended 31 December 2019.

15. RIGHT-OF-USE ASSETS *(CONTINUED)*

For both years, the Group leases restaurants land and rented premises for its operations. Lease contracts are entered into for fixed terms of 1 month to 20 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group entered into short-term leases mainly for rented premises. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 9.

Leases of restaurants are either with only fixed lease payments or contain variable lease payment that are based on 3% to 20% sales and minimum annual lease payment that are fixed over the lease term. Some variable payment terms include cap clauses. The payment terms are common in restaurants in China where the Group operates. The amount of fixed and variable lease payments paid to relevant lessors for the year ended 31 December 2019:

	Number of restaurants	**Fixed payments** RMB'000	**Variable payments** RMB'000	**Total** RMB'000
Restaurants without variable lease payments	424	203,980	—	203,980
Restaurants with variable lease payments	734	296,542	102,400	398,942
	1,158	500,522	102,400	602,922

The overall financial effect of using variable payment terms is that higher rental costs are incurred by restaurants with higher sales. Variable rent expenses are expected to continue to represent a similar proportion of restaurant sales in future years.

Restrictions or covenants on leases

Lease liabilities of RMB1,978,462,000 are recognized with related right-of-use assets of RMB2,076,016,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases committed

As at 31 December 2019, the Group entered into new leases for several restaurants that have not yet commenced, with average non-cancellable period ranging from 3 to 6 years, excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period amounted to RMB20,650,000.

16. LEASE PREPAYMENTS FOR LAND USE RIGHT

	31/12/2018 RMB'000
Analysed for reporting purposes as:	
Current portion included in trade and other receivables and prepayments (Note 21)	1,077
Non-current portion	47,218
	48,295

17. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognized and movements thereon during the current and prior years:

	Tax losses RMB'000	Deferred income RMB'000	Contract liability RMB'000	Allowance for doubtful debts RMB'000	Impairment of leasehold improvement RMB'000	Accrued royalty expense not paid RMB'000	Right-of-use assets/Lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	7,107	5,340	—	417	3,332	111,767	—	1,963	129,926
Credit (charged) to profit or loss	2,900	(2,018)	3,456	(417)	1,258	—	—	(995)	4,184
At 31 December 2018	10,007	3,322	3,456	—	4,590	111,767	—	968	134,110
(Charged) credit to profit or loss	(5,368)	(399)	201	—	(735)	(68,477)	19,799	61	(54,918)
At 31 December 2019	**4,639**	**2,923**	**3,657**	**—**	**3,855**	**43,290**	**19,799**	**1,029**	**79,192**

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

	For the year ended 31 December	
	2019 RMB'000	2018 RMB'000
Unrecognized tax losses	**100,100**	30,711
Deductible temporary differences		
Contract liability	**1,646**	1,371
Right-of-use assets/Lease liabilities	**10,727**	—
Impairment of right-of-use assets	**7,347**	—
Impairment of leasehold improvement	**17,772**	—
	137,592	32,082

17. DEFERRED TAX ASSETS *(CONTINUED)*

The unrecognized tax losses will be expired as follow:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
2020	**15,588**	—
2022	**1,287**	1,952
2023	**13,382**	8,702
2024	**49,119**	—
Indefinite	**20,724**	20,057
	100,100	30,711

At the end of the reporting period, the Group has unused tax losses of RMB118,656,000 (31 December 2018: RMB70,739,000.00) available for offset against future profits. A deferred tax asset has been recognized in respect of RMB18,556,000 (31 December 2018: RMB40,028,000) of such losses. No deferred tax asset has been recognized in respect of the remaining RMB100,100,000 (31 December 2018: RMB30,711,000) due to the unpredictability of future profit streams.

18. RENTAL DEPOSITS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
		(Note)
Rental deposits	**147,183**	120,353
Less: allowance for doubtful debts	**—**	—
Net of rental deposits	**147,183**	120,353

Note : Rental deposits were adjusted upon the initial application of IFRS 16. Details of the adjustments are set out in Note 2.

18. RENTAL DEPOSITS *(CONTINUED)*

Movement in the allowance for doubtful debts:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**—**	1,668
Impairment losses recognized on refundable rental deposits	**—**	—
Impairment losses reversed	**—**	(1,596)
Amounts written off as uncollectible	**—**	(72)
At the end of the year	**—**	—

19. INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Food and beverage	**627,661**	333,175
Other materials	**56,527**	36,951
Consumables	**27,585**	20,255
	711,773	390,381

20. LOAN RECEIVABLE

	For the year ended 31 December 2019 RMB'000
Fixed-rate loan receivable	**60,000**
Analysed as	
Current	**60,000**

On 21 May 2019, the Group entered into a loan contract with a supplier, pursuant to which the Group provided a loan to the supplier, with a principal amount of RMB60,000,000 and a fixed interest rate of 10% per annum. The loan is unguaranteed, and will expire on 20 May 2020, and was classified as current asset. Further details are set out in Note 37.

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables	**36,169**	38,657
Prepaid operating expenses	**43,698**	76,634
Prepayments to suppliers	**36,109**	6,030
Current portion of lease prepayments for land use right	**—**	1,077
Interest receivable	**2,159**	53
Amounts prepaid to the RSU trustee for purchase of ordinary shares (Note 31)	**14,065**	1,053
Prepayments for value-added tax	**227,666**	164,918
Other receivables	**18,509**	19,329
Total trade and other receivables and prepayments	**378,375**	307,751

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 30 days	**36,169**	38,657

At the end of the reporting period, there is no trade receivable that has expired but not impaired.

Details of impairment assessment of trade and other receivables for the years ended 31 December 2019 and 2018 are set out in Note 37.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset mandatorily measured at FVTPL:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Short-term investment	**71,296**	—

As at 31 December 2019, the Group's financial asset at FVTPL amounting to RMB71,296,000 is the financial products issued by banks, which is 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 treasury bonds, central bank bills, structured deposit and other financial assets. Details of fair value measurements are set out in Note 38.

23. BANK BALANCES AND CASH

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and bank balances denominated in:		
— RMB	**697,500**	1,182,302
— USD	**31,623**	127,905
— HKD	**56,069**	30,485
	785,192	1,340,692

Bank balances carried interest at prevailing market rates which range from 0.01% to 2.1% (2018: 0.01% to 3.05%) per annum as at 31 December 2019.

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

24. TRADE PAYABLES

Trade payables are non-interest bearing and are normally granted on 60-days credit term. An aged analysis of the Group's trade payables, as at the end of each year, based on the goods received date, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 60 days	**342,649**	290,088
61 to 180 days	**1,110**	1,709
181 days to 1 year	**2,970**	302
Over 1 year	**3,346**	3,771
	350,075	295,870

25. ACCRUAL AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Construction fee payables	**238,263**	212,075
Staff cost payable	**154,979**	128,792
Deposits from suppliers	**75,343**	54,351
Accrued rental and property fee	**22,127**	40,102
Accrued operating expenses	**72,021**	31,872
Other PRC tax payables	**35,265**	30,283
Others	**57,512**	53,806
	655,510	551,281

26. LEASE LIABILITIES

Lease liabilities payable:

	As at 31 December 2019 RMB'000
Within one year	**464,490**
Within a period of more than one year but not more than two years	**423,869**
Within a period of more than two years but not more than five years	**820,749**
Within a period of more than five years	**269,354**
	1,978,462
Less: Amount due for settlement with 12 months shown under current liabilities	**(464,490)**
Amount due for settlement after 12 months shown under non-current liabilities	**1,513,972**

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HK Dollars RMB'000
As at 31 December 2019	**50,693**

27. CONTRACT LIABILITY

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Customer loyalty programme (Note i)	**16,274**	15,196
Prepaid cards and advance from customers (Note ii)	**129,743**	28,455
	146,017	43,651
Current	**146,017**	43,651

As at 1 January 2018, contract liabilities amounted to RMB17,215,000.

27. CONTRACT LIABILITY *(CONTINUED)*

Notes:

(i) Customer loyalty programme

The contract liability of customer loyalty programme was recognized along with the restaurant services provided during each reporting period. As at 31 December 2019, the balance of RMB16,274,000 (as at 31 December 2018: RMB15,196,000) represents the unredeemed performance obligation relating to the customer loyalty programme.

(ii) Prepaid cards and advance from customers

The prepaid cards and advance from customers of the Group are refundable. However, no material refund were raised historically and the management of the Group expects the amounts to be refunded in the future reporting periods is insignificant.

The following table shows how much of the revenue recognized in the current year relates to carried-forward contract liabilities.

No revenue recognized as at 31 December 2019 and 2018 are related to performance obligations that were satisfied in a prior year.

	Customer loyalty programmes RMB'000	**Prepaid cards RMB'000**
For the year ended 31 December 2019		
Revenue recognized that was included in the contract liability balance at the beginning of the year	**11,724**	**28,455**

	Customer loyalty programmes RMB'000	Prepaid cards RMB'000
For the year ended 31 December 2018		
Revenue recognized that was included in the contract liability balance at the beginning of the year	6,844	10,371

28. DEFERRED INCOME

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Government grant (Note)	**11,692**	13,287
Current	**1,595**	1,595
Non-current	**10,097**	11,692
	11,692	13,287

Notes: The deferred income represents subsidies granted by the government in relation to acquisition or construction of non-current assets. The deferred income is released over the useful lives of the relevant assets, the release of deferred income was RMB1,595,000 for the year ended 31 December 2019 (2018: RMB1,595,000).

29. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	Non-Current	
	31/12/2019	31/12/2018
	RMB'000	RMB'000
Derivative financial instruments	**1,224**	—

One of the sellers of Yishun, as disclosed in Note 14, Xiabu Beijing and a third-party trust company entered into several trust agreements under which, the seller entrust the third-party trust company to set up a trust plan ("the Trust") and transferred RMB60,000,000 to the Trust on 10 September 2019. According to the Trust agreements, the Trust should complete the purchase of the Company's shares of RMB60,000,000 from the market within the portfolio construction period which has been eventually completed on 11 November 2019 (the "end of portfolio construction period"). The Trust would be terminated within three years since the end of portfolio construction period. According to the Trust agreements, the investment principal of RMB60,000,000 and a fixed return of RMB2,400,000 per annum was guaranteed by Xiabu Beijing and the seller is entitled to additional returns under specific condition based on the price of the stock shares, while Xiabu Beijing will take the residual return/loss from the Trust accordingly, on the net settlement in cash, if any.

In the opinion of the Director, the Company's right and obligation in the Trust constitute a derivative which is based on the stock price of the Company. As at 31 December 2019, the fair value of the derivative was RMB1,224,000, which represent a loss and was recorded as a financial liability measured at FVTPL. The fair value change is recognized in the line items of other gains and losses. Further details of the fair value measurements are disclosed in Note 38.

30. SHARE CAPITAL

Issued and fully paid-up:

	As at 31 December	
	2019	2018
	USD'000	USD'000
Share capital of US$0.000025 each	**27**	27
	RMB'000	RMB'000
Presented as:		
Ordinary shares	**174**	174

	As at 31 December	
	2019	2018
	'000	'000
Number of shares:		
Fully paid ordinary shares	**1,080,688**	1,076,393

Ordinary shares

	Authorized shares		**Issued capital**	
	Number of shares '000	**Amount** RMB'000	**Number of shares** '000	**Amount** RMB'000
Balance at 31 December 2017	2,000,000	336	1,072,459	173
Exercise of issued share option	—	—	3,934	1
Balance at 31 December 2018	2,000,000	336	1,076,393	174
Exercise of issued share option	—	—	4,295	—
Balance at 31 December 2019	**2,000,000**	**336**	**1,080,688**	**174**

31. 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.

(i) The range of the exercise price about the share options at the end of current year

Share option tranche	Number of options granted	Grant date	Expiry date	Exercise price	Fair value at grant date	Vesting period
Share option tranche A	4,233,000	31/08/2009	31/08/2019	0.84	0.33	25% for each of 4 years after 12 months from the date of qualified IPO
Share option tranche B	11,795,228	17/05/2011	17/05/2021	1.79	0.90	25% for each of 4 years after 12 months from the date of qualified IPO
Share option tranche C	9,670,361	24/12/2012	24/12/2022	1.84	1.10	25% for each of 4 years after 12 months from the date of qualified IPO
Share option tranche D						
Schedule I	3,207,461	21/03/2014	21/03/2024	2.78	1.19	25% for each of 4 years after 24 months from the date of qualified IPO
Schedule II	5,717,140	21/03/2014	21/03/2024	2.78	1.22	25% for each of 4 years after 36 months from the date of qualified IPO
Schedule III	6,664,542	21/03/2014	21/03/2024	2.78	1.24	25% for each of 4 years after 48 months from the date of qualified IPO

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

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

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

(1) SHARE OPTION SCHEMES *(continued)*

(ii) Analysis of share options granted to the Group's employees related to the share option schemes

	The year ended 31 December							
	2019				2018			
Share option tranches	**Tranche A**	**Tranche B**	**Tranche C**	**Tranche D**	Tranche A	Tranche B	Tranche C	Tranche D
Share options granted to								
Director	**—**	**—**	**—**	**1,627,890**	350,000	891,200	1,148,750	2,711,079
Other key management personnel	**—**	**—**	**—**	**—**	—	—	—	1,627,890
Other staff	**—**	**331,800**	**474,447**	**3,728,807**	323,250	721,028	697,367	1,987,145
Outstanding as at the end of the year	**—**	**331,800**	**474,447**	**5,356,697**	673,250	1,612,228	1,846,117	6,326,114

(iii) The movement of share options

	The year ended 31 December			
	2019		2018	
Share options	**Number of options**	**Weighted average exercise price RMB**	Number of options	Weighted average exercise price RMB
Balance at beginning of the year	**10,457,709**	**2.28**	14,392,042	2.20
Forfeited during the year	**—**	**—**	—	—
Exercised during the year	**(4,294,765)**	**2.05**	(3,934,333)	1.98
Balance at end of the year	**6,162,944**	**2.44**	10,457,709	2.28
Exercisable at end of the year	**3,831,582**		6,165,382	

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

(1) SHARE OPTION SCHEMES *(continued)*

(iv) The approach of determining the fair value of the share options

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

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

At the end of each year, 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 RMB787,000 for the year ended 31 December 2019 (2018: RMB2,474,000) in relation to share options granted by the Company.

(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 date, on which the shares of the Company are first listed on the main board of HKEX ("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.

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

(2) RESTRICTED SHARE UNIT SCHEME *(continued)*

(i) Purchase of treasury share under the RSU Scheme

During the year ended 31 December 2019, the RSU Trustee has purchased an aggregate of 860,000 shares (2018: 4,672,500 shares) with consideration of HK$7,600,000, equivalent to approximately RMB6,825,000(2018: HK$59,818,000, equivalent to approximately RMB50,521,000) from the market. The shares will be held on trust for the benefit of the RSU participants pursuant to the RSU Scheme and the trust deed. The shares so purchased will be used as awards for relevant participants in the RSU Scheme (the "RSU Participants").

During the year ended 31 December 2019 the Company purchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$'000
November	360,000	9.13	8.49	3,207
December	500,000	8.89	8.55	4,393

As at 31 December 2019, amounts about RMB14,065,000 (31 December 2018: RMB1,053,000) were held by the RSU Trustee to purchase ordinary shares from the market in the forthcoming period according to the instruction of the Company.

(ii) Details of granted RSUs

RSUs tranche	Number of awarded shares	Grant date	Expiry date	Fair value at grant date	Vesting period
				HKD	
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
RSUs tranche D	33,378	31/01/2018	31/01/2028	14.98	25% for each of 4 years after 01/04/2019
RSUs tranche E	1,000,981	14/12/2018	14/12/2028	11.20	25% for each of 4 years after 01/04/2020
RSUs tranche F	44,326	22/01/2019	22/01/2029	11.28	25% for each of 4 years after 01/04/2019

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

(2) RESTRICTED SHARE UNIT SCHEME *(continued)*

(ii) Details of granted RSUs (continued)

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 expiry date is no more than ten years from the date of the grant and the RSU would be forfeited when the staff resigned before the vesting day.

The following table discloses the movement of the Company's RSU granted to the selected participants for the year ended 31 December 2019 and outstanding at 31 December 2019:

			Number of Awarded Shares			
RSU tranches	**Outstanding at 1 January 2019**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Transfer during the year**	**Outstanding at 31 December 2019**
RSUs granted to						
Director (Note i)	2,927,329	830,148	(595,300)	—	(731,414)	2,430,763
Other key management personnel (Note ii)	1,209,948	14,821	(11,208)	—	(1,170,066)	43,495
Other staff (Note iii)	1,321,013	233,716	(855,364)	(367,965)	1,901,480	2,232,880
Total	5,458,290	1,078,685	(1,461,872)	(367,965)	—	4,707,138

Note:

(i) Ms. Zhao Yi was appointed as an executive director and the chief executive officer of the Group with effect from 29 August 2019, and resigned as the chief financial officer of the Group on the same day.

(ii) Ms. Yu Xiaofang was appointed as the chief financial officer of the Group with effect from 29 August 2019.

(iii) Ms. Yang Shuling resigned as an executive director and the chief executive officer of the Group with effect from 29 August 2019.

At the end of each year, 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 RMB10,193,000 for the year ended 31 December 2019 (2018: RMB10,160,000) in relation to RSUs granted by the Company this year.

32. OPERATING LEASES

The Group as lessee

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December 2018 RMB'000
Minimum lease payments under operating leases:	
Within one year	572,231
In the second to fifth year inclusive	1,855,482
Over five years	362,498
	2,790,211

The above operating lease payments commitments represent rental payable by the Group for warehouse and premises leased for restaurants.

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.

33. CAPITAL COMMITMENTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**25,566**	27,141

34. RETIREMENT BENEFITS SCHEME CONTRIBUTIONS

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The retirement benefit cost charged to profit or loss for the year ended 31 December 2019 amounted to RMB91,523,000 (2018: RMB77,507,000).

35. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Relationship	Nature of balances/transactions	For the year ended 31 December 2019 RMB'000	2018 RMB'000
Related companies controlled by the Controlling Shareholder	Purchase of food ingredients	**13,390**	—
	Sales of food ingredients	**724**	—
	Royalty fee	**3,164**	—
	Trade and other receivables and prepayments	**47**	—
	Trade payables	**163**	—
	Accrual and other payables	**8,546**	—
	Right-of-use asset	**346**	—
	Lease liability (Note)	**358**	—
	Operating lease expense (Note)	**—**	1,200

Note: During the year ended 2018, the Group entered into a lease agreement with the holding company for the use of rented premises. The rental period was 3 years, and the Group recognized operating lease expense of RMB1,200,000 in year 2018, while recognized right-of-use asset and lease liability of RMB346,000 and RMB358,000 respectively as of 31 December 2019.

(b) Emoluments of key management personnel of the Group

	As at 31 December 2019 RMB'000	2018 RMB'000
Short term employee benefits	**1,245**	1,565
Post-employment benefit	**23**	23
Equity-settled share-based payments	**2,282**	2,593
	3,550	4,181

No Director's emoluments are included above, further details of the Directors' emoluments are include in Note 12.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

During the year ended 31 December 2019, the Company has interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and paid ordinary share capital/ registered capital	Proportion ownership interest/voting power attributable to the Company 31 December 2019 %	31 December 2018 %	Principal activities
Xiabu Hong Kong (Note iii)	Hong Kong 16 May 2008	Ordinary share capital HK$1	**100**	100	Investment holding
Xiabuxiabu Restaurant Management Co., Ltd.* (呷哺呷哺餐飲管理有限公司) ("Xiabu Beijing")(Note i)	The PRC 16 September 2008	Registered capital RMB55,000,000	**100**	100	Operating restaurant
Xiabuxiabu Restaurant Management (Shanghai) Co., Ltd.* (呷哺呷哺餐飲管理（上海）有限公司) ("Xiabu Shanghai") (Note i)	The PRC 10 June 2010	Registered capital US$1,000,000	**100**	100	Operating restaurant
Coucou (China) Holdings Co., Ltd. (湊湊（中國）控股有限公司) ("Coucou (China)") (Note iii)	British Virgin Islands 5 March 2015	Ordinary share capital US$1	**100**	100	Investment holding
Coucou (HK) Holdings Co., Ltd. (湊湊（香港）控股有限公司) ("Coucou (HK)")	Hong Kong 18 March 2015	Ordinary share capital HK$1	**100**	100	Investment holding
Coucou Restaurant Management Co., Ltd. * (湊湊餐飲管理有限公司) (Note i)	The PRC 19 August 2015	Paid Registered capital RMB51,919,000	**100**	100	Operating restaurant
XiabuXiabu (Shanghai) Industrial Co., Ltd.* (呷哺呷哺（上海）實業有限公司) (Note i)	The PRC 14 July 2015	Paid registered capital RMB100,000	**100**	100	Investment holding
Xiabuxiabu (China) Food Holdings Co.Ltd. ("Xiabu (China) Food ") (Note iii) (呷哺呷哺（中国）食品控股有限公司)	Cayman Islands 28 October 2016	Ordinary share capital US$1,000,000	**60**	60	Investment holding
Xiabuxiabu (HK) Food Holdings Co.Ltd (呷哺呷哺（香港）食品控股有限公司) ("Food (HK)")	Hong Kong 9 November 2016	Ordinary share capital HK$100	**60**	60	Investment holding
Xiabuxiabu (China) Food Co.Ltd* (呷哺呷哺（中国）食品有限公司) (Note i)(Note iv)	The PRC 27 May 2017	Registered capital US$10,000,000	**60**	60	Food Sales
Beijing Xiabuxiabu Technology Company Co, Ltd* (北京呷哺呷哺技術開發有限公司)	The PRC 10 August 2017	Registered capital RMB1,000,000	**100**	100	Investment holding
Xiabuxiabu Restaurant Management (Tianjin)Co, Ltd.* (呷哺呷哺餐飲管理（天津）有限公司) (Note i)	The PRC 29 December 2017	Registered capital USD20,000,000	**100**	100	Operating restaurant
Coucou (Tianjin) Restaurant Management Co., Ltd. * (湊湊（天津）餐飲管理有限公司) (Note i)	The PRC 10 May 2018	Registered capital USD30,000,000	**100**	100	Operating restaurant
Xiabuxiabu Restaurant Management(Shenzhen) Co, Ltd.* (呷哺呷哺餐飲管理（深圳）有限公司) (Note i)	The PRC 9 April 2019	Registered capital USD1,000,000	**100**	—	Operating restaurant
Coucou (Hong Kong) Restaurant Management Co., Ltd. (湊湊（香港）餐飲管理有限公司)	Hong Kong 28 March 2019	Ordinary share capital HK$1	**100**	—	Operating restaurant
Xilin Gol League Yishun halal meat Co., Ltd.* (錫林郭勒盟伊順清真肉類有限責任公司) (Note v)	The PRC 31 July 2019	Registered capital RMB190,000,000	**100**	—	Slaughtering, processing, cold storage and sales of raw materials
Xiabuxiabu Catering Management (HK) Co., Ltd. (呷哺呷哺餐飲管理（香港）有限公司)	Hong Kong 8 November 2019	Ordinary share capital HK$1	**100**	—	Operating restaurant

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

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

Notes:

(i) The entities are wholly-owned foreign enterprises.

(ii) None of the subsidiaries had issued any debts securities at the end of the year.

(iii) Except for Xiabu Hong Kong, Coucou (China) and Xiabu (China) Food, which are directly held by the Company, other subsidiaries are indirectly held by the Company.

(iv) Xiabuxiabu (China) Food Co., Ltd., which is directly held by Food (HK) with registered capital of USD10,000,000. USD2,100,000 and USD1,400,000 was paid by Food (HK) and Mr. Ho Kuang-Chi respectively by the end of year 2019.

(v) Xilin Gol League Yishun halal meat Co., Ltd. was acquired from a third party on 31 July 2019. Further details are disclosed in Note 14.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of the financial instruments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Financial assets:		
Financial assets at amortized cost	**1,049,212**	1,398,731
Financial assets at FVTPL	**71,296**	—
Financial liabilities:		
Amortized cost	**721,193**	616,102
Financial liability at FVTPL	**1,224**	—

Financial risk management objectives and policies

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

Market risk

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

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Market risk (continued)

Foreign currency risk management

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

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

	Assets	
	As at 31 December	
	2019	2018
	RMB'000	RMB'000
USD	**31,653**	127,978
HKD	**70,416**	30,485

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuations in the USD and HKD against RMB.

The following table details the Group's sensitivity to a 5% (2018:5%) increase and decrease in RMB against relevant foreign currency. 5% (2018:5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at year end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the amounts below would be negative.

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Profit for the year		
USD	**1,460**	6,125
HKD	**3,511**	1,520

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

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Sensitivity analysis (continued)

Interest rate risk

The Group is exposed to fixed-rate loan receivable (see Note 20 for details), lease liabilities (see Note 26 for details), and rental deposits (see Note 18 for details). The Group is also exposed to cash flow interest risk in relation to variable-rate bank balances (see Note 23 for details), and which carry prevailing market interest. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Total interest income from financial assets that are measured at amortized cost is as follows:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Other income		
Financial assets at amortized cost	**9,728**	8,782

Interest rate sensitivity analysis

No sensitivity analysis on interest rate risk on bank balance and rental deposit is presented as management consider the sensitivity on interest rate risk on bank balance is insignificant.

Credit risk and impairment assessment

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 consolidated statements of financial position (including trade receivables, other receivables, loan receivable, rental deposits and bank balances and cash).

The management of the Group considers bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. In addition, trade receivables in connection with bills settled through payment platforms such as Unionpay, Alipay or WeChat Pay are also with high credit rating and no past due history. The management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers as at 31 December 2019 and 2018, and accordingly, no loss allowance was recognized as at 31 December 2019 and 2018.

The Directors estimate the estimated loss rate of loan receivable based on historical credit risk of the debtor and the forward-looking information and concluded that the credit risk of the loan receivable is insignificant.

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

In determining the ECL for other receivables and rental deposits, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example the Group has considered the consistently low historical default rate and concluded that credit risk inherent in the Group's outstanding other receivables and rental deposits is insignificant. The management of the Group has assessed that other receivables and rental deposits have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no impairment has been recognized.

There has been no change in the estimation techniques or significant assumptions made throughout the year ended 31 December 2019 and 2018.

Liquidity risk

The Group monitors and maintains a reasonable level of cash and cash equivalents which deemed adequate by the management to finance the Group's operations and mitigate the impacts of fluctuations in cash flows. The management relies on the cash generated from operating activities as the main source of liquidity. For the year end 31 December 2019, the Group had cash generated from operating activities of approximately RMB1,021,841,000 (2018: RMB492,966,000). The Group expects to meet its other obligations from operating cash flows.

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

	Weighted average interest rate	On demand or within 1 months RMB'000	Over 1 months but within 3 month RMB'000	Over 3 month but within 1 years RMB'000	1–5 years RMB'000	>5 years RMB'000	Total Undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2019								
Financial liabilities								
Trade payables		44,546	305,202	327	—	—	350,075	350,075
Other payables		34,576	157,425	179,117	—	—	371,118	371,118
Lease liabilities	4.91%	18,156	119,721	445,847	1,643,377	227,047	2,454,148	1,978,462
Total		97,278	582,348	625,291	1,643,377	227,047	3,175,341	2,699,655

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

	Weighted average interest rate	On demand or within 1 months RMB'000	Over 1 months but within 3 month RMB'000	Over 3 month but within 1 years RMB'000	1–5 years RMB'000	>5 years RMB'000	Total Undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2018								
Financial liabilities								
Trade payables		288,656	5,324	1,890	—	—	295,870	295,870
Other payables		155,673	41,989	122,570	—	—	320,232	320,232
Total		444,329	47,313	124,460	—	—	616,102	616,102

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial asset and financial liability 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 asset and liability are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on 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 31 December 2019

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
Financial assets at FVTPL	—	—	71,296	71,296
Financial liability at FVTPL	—	1,224	—	1,224

38. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy as at 31 December 2019 *(continued)*

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2019 (RMB'000)	31 December 2018 (RMB'000)				
Financial liability at FVTPL	**Liability 1,224**	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on the quoted bid prices of relevant listed shares held by the Trust in an active market and the present value of the total cash outflow that arising from the Trust, based on an appropriate discount rate.	N/A	N/A
Financial assets at FVTPL	**Assets 71,296**	N/A	Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return (Note)	The higher the estimated return, the higher the fair value, vice versa

Note: A 5% decrease in the estimated return rates holding all other variables constant would decrease the carrying amount of the short-term investments by RMB65,000 as at 31 December 2019.

A 5% increase in the estimated return rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB65,000 as at 31 December 2019.

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

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 1 January 2018	—
Purchase of financial assets at FVTPL	3,610,670
Redemption of financial assets at FVTPL	(3,653,128)
Net gains on financial assets at FVTPL	42,458
At 31 December 2018	—
Purchase of financial assets at FVTPL	3,694,000
Redemption of financial assets at FVTPL	(3,659,610)
Net gains on financial assets at FVTPL	36,906
At 31 December 2019	**71,296**

39. CAPITAL RISK MANAGEMENT

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

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

The management reviews the capital structure on a quarterly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the recommendation of the management, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-backs as well as the issue of new debt of redemption of existing debt.

40. SUBSEQUENT EVENTS

The outbreak of the 2019 Novel Coronavirus (the "COVID-19") in China and the subsequent quarantine measures imposed by the Chinese government as well as the travel restrictions imposed by other countries in early 2020 have had a severe negative impact on the operations of the Group since January 2020, as most of the Group's operations are located in China. The Group have closed most of its restaurants in mainland China since end of January, 2020 voluntarily in an effort to contain the spread of the epidemic. Even though the Group was allowed to reopened part of those closed restaurants since the mid of March 2020, their operations have yet to resume to normal capacity due to the consumers' panic of COVID-19.

Based on the estimation in the impact of COVID-19, the Directors considered that there will be a material impact to the Group operating profit in 2020, resulting from the drop in sales and relevant cost and operating expense, and increase in impairment loss of long-term assets. However, an estimate of the financial effect cannot be made as the impact of the outbreak of COVID-19 is still uncertain as of the reporting day.

The Group's available banking facilities as at 30 March 2020 was RMB602,000,000, the Directors believe that with the cost saving measure being taken, the takeout orders business being improved, as well as the availability of source of funds, the Group will remain a going concern.

Due to the inherent nature and unpredictability of future development and market sentiment, actual financial impact could be significantly different depending on the outcome and development of the outbreak and when it is settled.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	**145,340**	126,386
Amounts due from subsidiaries	**133,431**	131,270
	278,771	257,656
Current assets		
Interest receivable	—	54
Amounts due from subsidiaries	**23,963**	119,957
Amounts prepaid to the RSU Trustee for purchase of ordinary shares (Note 31)	**14,065**	1,053
Bank balances and cash	**55,440**	145,850
	93,468	266,914
Current liabilities		
Other payables	**890**	467
	890	467
Net current liabilities	**92,578**	266,447
Total assets less current liabilities	**371,349**	524,103
Net assets	**371,349**	524,103
Capital and reserves		
Share capital	**174**	174
Reserves	**371,175**	523,929
Total equity	**371,349**	524,103

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(CONTINUED)*

Note:

	Attribute to owners of the Company					
	Share capital RMB'000	**Share premium** RMB'000	**Equity-settled share-based payments reserve** RMB'000	**Treasury share reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
Balance at 1 January 2018	173	860,027	22,566	(33,747)	(146,649)	702,370
Total comprehensive income for the year	—	—	—	—	28,372	28,372
Exercise of issued share option	1	11,577	(3,802)	—	—	7,776
Exercise of issued RSU Scheme	—	(1,049)	(2,657)	3,706	—	—
Recognition of equity-settled share-based payments	—	—	12,634	—	—	12,634
Payment of dividends	—	(176,528)	—	—	—	(176,528)
Purchase of treasury share under RSU Scheme	—	—	—	(50,521)	—	(50,521)
Balance at 31 December 2018	174	694,027	28,741	(80,562)	(118,277)	524,103
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**1,340**	**1,340**
Exercise of issued share option	**—**	**13,693**	**(5,078)**	**—**	**—**	**8,615**
Exercise of issued RSU Scheme	**—**	**(1,032)**	**(7,862)**	**8,894**	**—**	**—**
Recognition of equity-settled share-based payments	**—**	**—**	**10,980**	**—**	**—**	**10,980**
Payment of dividends	**—**	**(166,864)**	**—**	**—**	**—**	**(166,864)**
Purchase of treasury share under RSU Scheme	**—**	**—**	**—**	**(6,825)**	**—**	**(6,825)**
Balance at 31 December 2019	**174**	**539,824**	**26,781**	**(78,493)**	**(116,937)**	**371,349**

Five-Year Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,030,167**	4,734,080	3,663,993	2,758,137	2,424,606
Profit before income tax	**503,193**	609,440	542,787	473,122	323,120
Income tax expenses	**(212,555)**	(147,468)	(122,617)	(105,094)	(59,757)
Profit for the year	**290,638**	461,972	420,170	368,028	263,363
Other comprehensive income (expense) for the year	**—**	69	1,163	(1,232)	—
Total comprehensive income for the year	**290,638**	462,041	421,333	366,796	263,363
Total comprehensive income for the year attributable to					
Owners of the Company	**288,100**	462,547	421,333	366,796	263,363
Non-controlling interest	**2,538**	(506)	—	—	—

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**5,625,886**	3,253,316	2,845,592	2,312,604	1,964,131
Total liabilities	**3,239,046**	1,005,849	860,061	596,296	483,648
Net assets	**2,386,840**	2,247,467	1,985,531	1,716,308	1,480,483