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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

2020 INTERIM REPORT

(Incorporated in the Cayman Islands with limited liability) Stock Code: 520

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ho Kuang-Chi *(Chairman)*
Ms. Zhao Yi

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

Ms. Hsieh Lily Hui-yun *(Chairman)*
Mr. Zhang Chi (Ms. Li Jie as his alternate)
Mr. Hon Ping Cho Terence

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Ms. Ng Sau Mei

AUTHORIZED REPRESENTATIVES

Mr. Ho Kuang-Chi
Ms. Ng Sau Mei

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
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COMPANY'S WEBSITE

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STOCK CODE

520

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Huangcun Town
Daxing District
Beijing
PRC

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL BANKS

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

BUSINESS OVERVIEW AND OUTLOOK

OVERVIEW

In the first half of 2020, the Group opened 31 Xiabuxiabu restaurants and 5 Coucou restaurants. As of 30 June 2020, the Group owned and operated 1,010 Xiabuxiabu restaurants in 139 cities over 24 provinces and in three centrally administered municipalities in China, namely Beijing, Tianjin and Shanghai. The Group also owned and operated 107 Coucou restaurants in 27 cities over 20 provinces and in three centrally administered municipalities, namely in Beijing, Tianjin and Shanghai.

The Group's revenue decreased by 29.1% from RMB2,712.5 million in the first half of 2019 to RMB1,921.9 million in the same period in 2020, mainly attributable to the outbreak of COVID-19 (the "**Pandemic**") twice, the first time being at the end of January impacting all areas, then there was a second outbreak in Beijing in the middle of June, where the central government and various local government implemented pandemic control measures and crowd control in consumer establishments substantially impacting the Group's business since the end of January 2020, especially in seriously affected areas such as Hubei Province, Northeast China and Beijing where over 44% of the Group's restaurants are located. As the Pandemic situation improved, the Group's business is recovering at a quick pace. The Group's net current assets decreased from RMB292.9 million as of 31 December 2019 to RMB142.8 million as of 30 June 2020, primarily due to the short-term borrowing obtained from banks during the Pandemic.

In the first half of 2020, the Group undertook a number of initiatives to upgrade its business model and enhance its financial performance, including:

- Continue to develop Coucou brand: Since Coucou has become a favorite brand of commercial real estate owners among many domestic brands, the Group can leverage Coucou's brand to negotiate owners better rental arrangements, and at the same time continue to increase efforts to develop this high-end brand. As of 30 June 2020, the Group opened 5 new restaurants to a total of 107 Coucou restaurants. Revenue from the Group's Coucou restaurants increased by 21.3%

from RMB488.8 million in the first half of 2019 to RMB593.0 million in the first half of 2020, mainly due to the Group's continued expansion of its network of restaurants. In the second half of 2020, the Group will continue to maintain the speed of development and increase the market share of Coucou, this will set a strong foundation for Coucou's future development.

- Social responsibility and brand promotion: In the later stage of the Pandemic, the Group promoted individual hot pots, emphasized one-person one-pot, meal-sharing system, which is safe and healthy. The Group did a lot of promotion to make consumers recognize this consumption model is the trend for future.

- Develop of fresh food business and promote of delivery services: During the Pandemic, we developed fresh food business and promote contactless food delivery to let consumers know that it is safe to consume at Xiabuxiabu. At the same time, due to the country's restrictions on consumer consumption during the Pandemic, it has an impact on the restaurant's material and food consumption. The Group uses its own community network to establish a micro-business and leverages its community network to drive fresh food business, and use Xiabuxiabu restaurants that cannot do dine-in business to turn into supermarkets to sell fresh ingredients and ingredients with a long shelf life, reduce wastage and accelerate the return of funds.

BUSINESS OVERVIEW AND OUTLOOK

- Optimize costs: During the Pandemic, certain measures were taken to optimize costs, such as: (i) sharing talents and cooperating with other platforms to reduce staff costs; (ii) using government policies to negotiate rents and interests with landlords, to help the profit and loss statement for the first half of the year.

- Optimize the model to improve the return on investment cycle: Advocating a new way of having meals gathering, leading the new fashion of consumption trends in the post-Pandemic era, not only allows one person to enjoy a pot alone, but also allows many people to enjoy a meal together. The adjusted restaurant model still evolves around Xiabuxiabu's brand culture, but it is lighter, more prominent and generate higher sales per square meter.

- Expand the delivery business: The Group continues to expand the delivery business as an extension to the operation hours and space of its restaurants. The Group has extended the coverage of its delivery business from 73 cities in the first half of 2019 to 100 cities in the same period in 2020. As of 30 June 2020, the delivery business recorded a year-over-year growth of 18.5%. In the second half of this year, the Group will step up its efforts to accelerate the expansion of its delivery business to enhance the brand recognition of "Xiabu Delivery" and lay down a solid foundation for future growth.

- Adjust expansion plan: The Group's strategy in the weak economic cycle is to only open high-quality restaurants. As such, although the Group has a pipeline of quality locations, it only opened 31 stores in the first half of the year. The Group established a restaurant inspection and development system to ensure the quality when opening a new restaurant.

INDUSTRY REVIEW

In the first half of 2020, the growth of China's domestic economy slowed down amid the outbreak of the Pandemic which led to the increasing uncertainties in the domestic and 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 recorded negative GDP growth of 1.6% in the first half of 2020, and actual per capita disposable income of urban and rural areas decreased by 1.3%. In the meantime, consumer price index rose by 3.8%. Service consumption has also accelerated together with consumer's growing demand for services with higher quality and efficiency. During the first half of 2020, the Pandemic also caused the consumers to change their spending behaviours to pay more attention on the cleanliness of the restaurant, food safety and whether sufficient pandemic control measures have been implemented. At the same time consumers are aware of the benefits of not sharing dishes, which will become their future spending habits. The Group will continue to strengthen efforts in these areas to ensure customers well-being are protected.

BUSINESS OVERVIEW AND OUTLOOK

OPERATIONAL HIGHLIGHTS

Overall Business and Financial Performance

The Group's restaurant network

In the first half of 2020, the Group opened 31 Xiabuxiabu restaurants and 5 Coucou restaurants. In addition, the Group closed a total of 43 Xiabuxiabu restaurants in the first half of 2020 due to commercial reasons. A substantial portion of the Group's revenue and restaurant operating profit was derived from Xiabuxiabu restaurants. The table below sets forth the breakdown of the Group's system-wide Xiabuxiabu restaurants by region as of the dates indicated:

	As of 30 June 2020		As of 30 June 2019	
	#	**%**	#	%
Tier 1[(1)]	**364**	**36.0**	362	37.9
Tier 2[(2)]	**405**	**40.1**	389	40.7
Tier 3 and below[(3)]	**241**	**23.9**	204	21.4
Total	**1,010**	**100**	955	100

(1) Tier 1 — Beijing, Shanghai, Guangzhou and Shenzhen

(2) Tier 2 (includes 31 cities) — Baoding, Changzhou, Dalian, Fuzhou, Haerbin, Hangzhou, Hefei, Jinan, Kunming, Lanzhou, Langfang, Nanchang, Nanjing, Nanning, Nantong, Ningbo, Qingdao, Shaoxing, Shenyang, Shijiazhuang, Suzhou, Taiyuan, Tianjin, Wuxi, Wuhan, Xi'an, Xuzhou, Yantai, Changcun, Changsha, Zhengzhou

(3) All cities except for Tier 1 and 2 cities mentioned above

The table below sets forth the breakdown of the Group's system-wide Coucou restaurants by region as the dates indicated:

	As of 30 June 2020		As of 30 June 2019	
	#	**%**	#	%
Tier 1[(1)]	**55**	**51.4**	33	54.1
Tier 2[(2)]	**51**	**47.7**	28	45.9
Tier 3[(3)]	**1**	**0.9**	—	—
Total	**107**	**100**	61	100

(1) Tier 1 — Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong SAR

(2) Tier 2 — Hefei, Xiamen, Fuzhou, Foshan, Dongguan, Shijiazhuang, Zhengzhou, Haerbin, Wuhan, Changsha, Suzhou, Nanjing, Wuxi, Shenyang, Dalian, Jinan, Taiyuan, Xian, Tianjin, Kunming, Hangzhou, Wenzhou

(3) Tier 3 — Yangzhou

Key operational information for the Group's Xiabuxiabu restaurants

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

	As of or for the six months ended 30 June	
	2020	2019
Net Revenue (in RMB thousands)		
Tier 1[(1)]	**540,160**	1,070,563
Tier 2[(2)]	**410,841**	746,557
Tier 3 and below[(3)]	**271,689**	381,597
Total	**1,222,690**	2,198,717
Average spending per customer (RMB)		
Tier 1[(1)]	**66.3**	60.3
Tier 2[(2)]	**61.2**	55.1
Tier 3 and below[(3)]	**61.1**	54.6
Total	**63.3**	57.4
Seat turnover rate (X)[(4)]		
Tier 1[(1)]	**2.1**	3.2
Tier 2[(2)]	**1.6**	3.2
Tier 3 and below[(3)]	**1.7**	2.1
Total	**1.8**	2.4

In the first half of 2020, revenue from Xiabuxiabu restaurants is still our main source of income; and as a percentage of the Group's total revenue in the same period, increased to approximately 63.6% of the Group's total revenue. As a result of the Pandemic, there are customers dinning out at restaurants and the revenue decreased from RMB2,198.7 million for the six months ended 30 June 2019 to RMB1,227.7 million for the six months ended 30 June 2020. The seat turnover rate decreased from 2.4x for the six months ended 30 June 2019 to 1.8x for the six months ended 30 June 2020. Average customer spending continued to increase in the first half of 2020 by 10.3% to RMB63.3, primarily due to the increase in sales of delivery business and newly launched menu items as the Group continued to optimize its product combinations and launch new products regularly.

(1) Tier 1 — Beijing, Shanghai, Guangzhou and Shenzhen

(2) Tier 2 (includes 31 cities) — Baoding, Changzhou, Dalian, Fuzhou, Haerbin, Hangzhou, Hefei, Jinan, Kunming, Lanzhou, Langfang, Nanchang, Nanjing, Nanning, Nantong, Ningbo, Qingdao, Shaoxing, Shenyang, Shijiazhuang, Suzhou, Taiyuan, Tianjin, Wuxi, Wuhan, Xi'an, Xuzhou, Yantai, Changcun, Changsha, Zhengzhou

(3) All cities except for Tier 1 and 2 cities mentioned above

Same-store sales for the period refers to the revenue of all restaurants that were in operation throughout the periods under comparison. As none of the Group's Xiabuxiabu restaurants opened for more than 150 days during the six months ended 30 June 2020 due to the Pandemic, same-store sales and same-store sales growth figures are not disclosed for the Reporting Period.

Key operational information for the Group's Coucou restaurants

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

	As of or for the six months ended 30 June	
	2020	2019
Net Revenue (in RMB thousands)		
Tier 1[(1)]	**333,797**	297,455
Tier 2[(2)]	**256,599**	191,300
Tier 3[(3)]	**2,598**	—
Total	**592,994**	488,755
Average spending per customer (RMB)		
Tier 1[(1)]	**104.6**	92.0
Tier 2[(2)]	**105.7**	103.0
Tier 3[(3)]	**92.9**	—
Total	**105.0**	96.0
Table turnover rate (X)		
Tier 1[(1)]	**3.3**	4.6
Tier 2[(2)]	**2.6**	3.4
Tier 3[(3)]	**1.3**	—
Total	**2.9**	4.1

(1) Tier 1 — Beijing, Shanghai, Guangzhou, Shenzhen, Hong Kong SAR

(2) Tier 2 — Hefei, Xiamen, Fuzhou, Foshan, Dongguan, Shijiazhuang, Zhengzhou, Haerbin, Wuhan, Changsha, Suzhou, Nanjing, Wuxi, Shenyang, Dalian, Jinan, Taiyuan, Xi'an, Tianjin, Kunming, Hangzhou, Wenzhou

(3) Tier 3 — Yangzhou

In the first half of 2020, due to the outbreak of the Pandemic, Coucou had delayed the pace of opening. As a result, table turnover rate had dropped from 4.1X in the first half of 2019, to 2.9X in the first half of 2020. Average spending per customer rose by nearly 9.4% from RMB96.0 in the first half of 2019 to RMB105.0 for the six months ended 30 June 2020 driven by more premium products and drinks being introduced into the menu.

Same-store sales for the period refers to the revenue of all restaurants that were in operation throughout the periods under comparison. As none of the Group's Coucou restaurants opened for more than 150 days during the six months ended 30 June 2020 due to the Pandemic, same-store sales and same-store sales growth figures are not disclosed for the Reporting Period.

OUTLOOK

Business Outlook

In the first half of 2020, disposable income per capita will decrease in the short term, but expect to increase as the Pandemic eases. After the Pandemic, consumers have paid more attention to food safety, minimizing meal-sharing will lead the concept of healthy consumption and raise awareness on hygiene. This consumption model is an advantage to one-person one-pot, meal-sharing model. This model is also in line with the policy of not to waste food after the Pandemic which will be a future trend. Such changes led to a more accelerated diversification, specialization and brand-oriented catering industry.

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

1) Firstly, in this competitive market, it is important that the Group keeps expanding to gain market share while ensuring the quality of the restaurants. In the second half of 2019, the Group started to adjust its expansion plan and implement higher standards when selecting the best location for opening and also take advantage of big data and better incentive plan to motivate the development team.

   In 2020, the Group will continue to implement this expansion methodology, whether it is tier 1, 2, 3 and below cities, when selecting a location for opening and will focus more on accessing the location and rental negotiations, including the use of big data to enhance the forecast of sales, lower turnover and rental proportion. At the same time, the Group will continue to put in efforts to uplift the sales density as well as to shorten the payback time for the restaurants.

2) Secondly, the Group will continue to take advantage of its strong supply chain network in different regions, add in different price range products, to offer products that can satisfy various needs of consumers especially the younger generation consumers. With a total of over 1,000 stores of Xiabuxiabu and Coucou, there is definitely a long term advantage in the supply chain where economies of scale can be leveraged.

   In the second half of the year, there will be more new set meals being launched targeting the young generation consumers. The Group ensure that there will be well perceived products, such as "niche products" which are the core products such as beef and lamb. The Group will strengthen the upstream supply chain and product premiumization, such as the Ximeng lamb which has become the unique signature product of Xiabuxiabu. In addition, the Group will continue to launch "supplementary products" to enrich the product range to the young generation consumers, such as the chicken products launched in second half of 2019 and in different regions, and offer different price range products such as pork products. Through optimizing the product mix, will lead to an increase in gross profit. Xiabuxiabu also introduced "seasonal products" such as fish and shrimp products to satisfy the different needs of Xiabuxiabu customers. Last but not least, the Group will introduce "star products" such as cheese shrimp paste to maintain the enthusiasm and desire to spend at the restaurants. The Group plans to introduce a diversified product portfolio, focusing on sets not only to maintain the vitality of the brand, while ensuring the quality and food cost advantage, killing two birds with one stone. This had proven to help balanced the food cost and gross profit in the second half of 2019, the Group will continue to strengthen its effort in the future.

3) The development of talents will be the next important task for the Group. It is important to maintain a steady supply of front line operating staffs, as it is the key that can help the Group to expand in the future. In order to do this, Xiabuxiabu had established talent assessment programs such as training and competition mechanism to ensure the steady output of talents, and an overall assessment to all the front line staffs. These assessments not only include the past 3 years performance, but also invite third parties to interview them in front of the talent committee, to get a fair assessment of the capability and potential ability of these staffs. At the same time, there will be apprentice program where experienced operation directors will help train up new talents, assisting staffs in different locations to develop entrepreneurship mindset and ability to mitigate resources more efficiently. Together with the new incentive and reward scheme, this will enhance the self-motivation power of the operating staffs, in order to ensure that the Group is able to maintain a steady output of quality talents during its expansion.

4) Rebranding of Xiabuxiabu is another important task for the future. In the past, the Group had focused on bringing the best ingredients to customers, and not only relied on word of mouth to promote the brand. As time changes, consumers started to view brand image of an enterprise, therefore Xiabuxiabu will need to put more efforts to promote Xiabuxiabu brand, utilizing online and offline efforts to escalate the branding exposures via WeChat, Tik Tok, creating internet sensations and KOL etc, to let consumers not only be able to eat healthy and quality ingredients but also be able to see them. The Group will continue to reinvigorate the brand to make it the first choice of its consumers, to live up to the motto of "great taste, good fun and good look". At the same time, the Group launched a new vibrant brand "In Xiabuxiabu" at the end of 2019 to let consumers have the opportunity to experience a whole new vibrant brand. This is a good opportunity for consumers to feel the creating capability of the Xiabuxiabu brand.

5) The Group aspires to fully penetrate into all market segments. Coucou is the high-end brand of the Group, which mainly focuses on family and business dining occasions and fully demonstrates the characteristics of Taiwanese-style hospitality service. Coucou restaurants offer Taiwanese-style dining experiences with specialty dishes, service, ambience and create a unique dining experience which is widely praised by consumers. With its strong brand recognition and reputation among customers, the Group believes Coucou will continue to accelerate the pace of expansion, to pursue high-quality, premium dining experiences, be well perceived by the high-end consumer groups. Coucou will also look into expanding geographically, as of 30 June 2020, there are 3 Coucou restaurants operating in Hong Kong SAR and will continue to expand into other countries outside China.

6) In the "new catering" era, the integration of online and offline operations has become a new trend. With the mobile internet penetrating into the lives of consumers and the millennials becoming the main consumers of the catering industry, the demand for online ordering and mobile payment has been growing steadily. In response to the trend, the Group takes advantage of online and offline integration to enhance consumer experience and further digitize dining experience in its restaurants.

7) The Group will enhance its brand image by launching a series of online and offline marketing campaigns to enhance its brand awareness. The Group's customer relationship management focuses on marketing activities to further enhance customer loyalty. The Group also plans to mobilize its nearly huge customer traffic, and to take advantage of its large customer base and work with well-known brands to launch joint promotion programs. In the first half of 2020, the Group launched a "Top Up" promotion to promote customer loyalty, and promote repeated spending by members to generate more turnover. This promotion brought in around RMB120.0 million top up value, not only increased the customer stickiness and consumption frequency and brought in additional cash flow to the Company.

8) The Group launched condiment products under Xiabuxiabu brand. In recent years, Chinese consumers are placing increasing emphasis on food safety, quality, healthiness, flavor and tastes of high-end sauce and condiments products. In view of the strong potential market opportunity for these condiment products, the Company, through the establishment of its non-wholly owned subsidiary, Xiabuxiabu (China) Food Co. Ltd. (呷哺呷哺（中國）食品有限公司), is venturing into the condiment product business, which supplements and complements the Group's principal catering service business and will further strengthen the brand of the Group. Sales of condiments business increased by 133.3% from RMB24.5 million in the first half of 2019 to RMB57.1 million in the first half of 2020, as the Group continued to expand sales channels and launch new products.

2020 INDUSTRY OUTLOOK

In the first half of 2020, the outbreak of the Pandemic had caused a slowdown in consumer spending and 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 the near future. In particular, the continued rising of protectionism and emergence of trade wars pose a major challenge to the global economy.

As a result of the foregoing, the short-term growth of China's economy is likely to be negatively affected. Looking at the key indices in the first half of this year, China's economic growth slowed down and recorded a decrease in GDP in the first half of 2020. The Chinese government started to boost domestic consumption to support economic growth. As such, the Group believes that as the Pandemic situation eases with the hope that vaccine will be developed, the growth of consumption will gradually regain its momentum in the second half of this year.

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 future, companies in the catering industry will continue to focus on brand development, maintenance, enhancement and internal transformation to achieve an overall quality improvement of their operations. New dining experiences combined with the use of technologies will become the key growth factor of companies in the catering industry. The integration of online and offline business operations had become a model that customers got used to during the Pandemic and will 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 periods indicated, together with the change (expressed in percentages) from the six months ended 30 June 2019 to the six months ended 30 June 2020:

	For the six months ended 30 June				Period-to-period Change
	2020		2019		**Change**
	RMB	***%***	*RMB*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**1,921,876**	**100.0**	2,712,521	100.0	(29.1)
Other income	**66,087**	**3.4**	21,543	0.8	206.8
Raw materials and consumables used	**(764,251)**	**(39.8)**	(996,617)	(36.7)	(23.3)
Staff costs	**(636,412)**	**(33.1)**	(719,543)	(26.5)	(11.6)
Property rentals and related expenses	**(93,144)**	**(4.8)**	(126,277)	(4.7)	(26.2)
Utilities expenses	**(66,653)**	**(3.5)**	(91,219)	(3.4)	(26.9)
Depreciation and amortisation	**(466,397)**	**(24.3)**	(374,751)	(13.8)	24.5
Other expenses	**(164,520)**	**(8.6)**	(168,375)	(6.2)	(2.3)
Other gains and losses	**(58,937)**	**(3.1)**	13,325	0.5	(542.3)
Finance costs	**(49,594)**	**(2.6)**	(45,381)	(1.7)	9.3
(Loss) profit before tax	**(311,945)**	**(16.2)**	225,226	8.3	(238.5)
Income tax credit (expense)	**59,840**	**3.1**	(63,037)	(2.3)	(194.9)
(Loss) profit for the period attributable to owners of the Company	**(252,105)**	**(13.1)**	162,189	6.0	(255.4)
Total comprehensive (expense) income for the period attributable to owners of the Company	**(252,105)**	**(13.1)**	162,189	6.0	(255.4)
(Loss) profit for the period attributable to:					
Owners of the Company	**(254,942)**	**(13.3)**	164,040	6.1	(255.4)
Non-controlling interest	**2,837**	**0.2**	(1,851)	(0.1)	(253.3)
	(252,105)	**(13.1)**	162,189	6.0	(255.4)
Total comprehensive (expense) income attributable to:					
Owners of the Company	**(254,942)**	**(13.3)**	164,040	6.1	(255.4)
Non-controlling interest	**2,837**	**0.2**	(1,851)	(0.1)	(253.3)
	(252,105)	**(13.1)**	162,189	6.0	(255.4)
(Loss) earnings per share					
– Basic (RMB cents per share)	**(23.84)**		15.41		
– Diluted (RMB cents per share)	**(23.84)**		15.25		

REVENUE

The Group's revenue decreased by 29.1% from RMB2,712.5 million for the six months ended 30 June 2019 to RMB1,921.9 million for the same period of 2020, primarily due to the outbreak of the Pandemic that led to central government and various local governments implemented pandemic control measures and crowd control in consumer establishments, substantially impacting the Group's business. Although there was an increment in sales contributed by Coucou restaurants from RMB488.8 million for the six months ended 30 June 2019 to RMB593.0 million for the six months ended 30 June 2020 and an increase in the sales of condiment products from RMB24.5 million for the six months ended 30 June 2019 to RMB57.1 million for the same period in 2020, such increases were offset by net revenue generated from the Group's Xiabuxiabu restaurants decreased by 44.4% from RMB2,198.7 million for the six months ended 30 June 2019 to RMB1,222.7 million for the same period of 2020 as over 30% Xiabuxiabu restaurants are located in seriously affected areas such as Hubei province and Beijing city. The Group opened 31 new Xiabuxiabu restaurants throughout China in the first half of 2020 to enhance its restaurant network and also opened 5 new Coucou restaurants during the six months ended 30 June 2020.

OTHER INCOME

The Group's other income increased to RMB66.1 million for the six months ended 30 June 2020 as compared to RMB21.5 million for the same period in 2019 due to income from delivery and the government subsidy the Group received from the local government to compensate for the Group's local business being impacted by the Pandemic. There were no unfulfilled conditions in the period in which such government subsidy was recognized.

RAW MATERIALS AND CONSUMABLES USED

The Group's raw materials and consumables costs decreased by 23.3% from RMB996.6 million for the six months ended 30 June 2019 to RMB764.3 million for the same period of 2020 decreased as a result of the outbreak of the Pandemic that led to a decrease in customer traffic. As a percentage of the Group's revenue, the Group's raw materials and consumables costs increased from 36.7% in the first half of 2019 to 39.8% in the first half of 2020, primarily due to more sales promotion being implemented to stimulate consumption resulting in higher food cost ratio.

STAFF COST

The Group's staff cost decreased by 11.6% from RMB719.5 million for the six months ended 30 June 2019 to RMB636.4 million for the same period of 2020. The number of the Group's employees decreased from 27,401 as of 30 June 2019 to 26,797 as of 30 June 2020. Staff cost decrease primarily due to: i) many restaurants cannot operate in full hours due to the outbreak of the Pandemic, as a result the working hours came down which also affected the working hours for part-time staff; ii) government relieved some of the payment to social benefits which also led to a lower staff cost. As a percentage of the Group's revenue, the Group's staff cost increased from 26.5% in the first half of 2019 to 33.1% in the first half of 2020. In connection with the pre-IPO share incentive plan adopted by the Company on 28 August 2009 (the "**Pre-IPO Share Incentive Plan**") and the restricted share unit scheme adopted by the Company on 28 November 2014 (the "**RSU Scheme**"), the Group's equity-settled share-based expenses increased by approximately 6.1% from RMB3.3 million in the first half of 2019 to RMB3.5 million in the first half of 2020.

PROPERTY RENTALS AND RELATED EXPENSES

The Group's property rentals and related expenses decreased by 26.2% from RMB126.3 million for the six months ended 30 June 2019 to RMB93.1 million as a result of the Pandemic: (i) landlords were willing to offer rent-free periods; (ii) turnover rental decrease as a result of lower turnover. As a percentage of the Group's revenue, the Group's property rentals and related expenses increased from 4.7% in the first half of 2019 to 4.8% in the first half of 2020.

UTILITIES EXPENSES

The Group's utilities expenses decreased by 26.9% from RMB91.2 million for the six months ended 30 June 2019 to RMB66.7 million for the same period of 2020 as the scale of the Group's operation decreased due to the Pandemic. As a percentage of the Group's revenue, utilities expenses remained relatively stable at 3.4% in the first half of 2019 and 3.5% in the first half of 2020.

DEPRECIATION AND AMORTIZATION

The Group's depreciation and amortization increased by 24.5% from RMB374.8 million for the six months ended 30 June 2019 to RMB466.4 million for the same period of 2020, primarily as a result of business expansion where there were more new restaurants opened in second half of 2019 and the first half of 2020. As a percentage of the Group's revenue, depreciation and amortization increased from 13.8% in the first half of 2019 to 24.3% in the first half of 2020.

OTHER EXPENSES

The Group's other expenses decreased by 2.3% from RMB168.4 million for the six months ended 30 June 2019 to RMB164.5 million for the same period of 2020 due to: lower logistic expenses, a decrease in travel and communication expenses and lower administrative fees. As a percentage of the Group's revenue, the Group's other expenses increased from 6.2% for the six months ended 30 June 2019 to 8.6% for the same period of 2020.

OTHER GAINS AND LOSSES

The Group recognized other losses of RMB58.9 million for the six months ended 30 June 2020 as compared to other gains of RMB13.3 million for the six months ended 30 June 2019. Such decrease was primarily as a result of (i) the impairment of right-of-use assets and leasehold improvement and (ii) loss from changes in fair value of financial liability at FVTPL.

FINANCE COSTS

The Group recorded finance cost of RMB49.6 million for the six months ended 30 June 2020 due to the interest expense recognized as a result of the implementation of IFRS 16, which included RMB1.2 million of bank interest resulting from bank borrowings.

(LOSS) PROFIT BEFORE TAX

As a result of the foregoing, the Group recorded loss before tax of RMB311.9 million for the six months ended 30 June 2020 as compared to profit before tax of RMB225.2 million for the six months ended 30 June 2019.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB3.5 million and as a result of the change in IFRS 16 which led to a decrease in profit of RMB58.9 million for the six months ended 30 June 2020, the Group would have recorded loss before tax of RMB249.5 million for the six months ended 30 June 2020 as compared to profit before tax of RMB271.5 million for the six months ended 30 June 2019.

INCOME TAX CREDIT (EXPENSE)

The Group recorded income tax credit of RMB59.8 million for the six months ended 30 June 2020 as compared to income tax expense of RMB63.0 million for the six months ended 30 June 2019.

(LOSS) PROFIT FOR THE PERIOD

As a result of the cumulative effect of the above factors, the Group recorded loss for the period of RMB252.1 million for the six months ended 30 June 2020 as compared to profit for the period of RMB162.2 million for the six months ended 30 June 2019.

Without taking into account the total expenses in connection with the Pre-IPO Share Incentive Plan and the RSU Scheme of RMB3.5 million and as a result of the change in IFRS 16 which led to a decrease in profit of RMB58.9 million in the first half of 2019, the Group would have recorded loss for the period of RMB192.6 million for the six months ended 30 June 2020 as compared to profit for the period of RMB210.3 million for the six months ended 30 June 2019. For further details, please refer to the section headed "Non-IFRS Measure — (b) 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 items. Adjusted net profit is calculated by deducting expenses related to equity-settled share-based expenses from the Group's staff costs and the impact in connection with the implementation of IFRS16, including impact of depreciation of right-of-use assets, interest on lease liabilities and impairment loss on right-of-use assets. The table below sets forth the reconciliation of profit for the period to adjusted net profit:

	Six months ended 30 June	
	2020	2019
	(In RMB thousands)	
Total comprehensive (expense) income for the period attributable to owners of the Company	**(254,942)**	164,040
Equity-settled share-based expenses	**3,503**	3,271
Impact of implementation of IFRS16	**58,850**	42,972
Adjusted net profit(1)	**(192,589)**	210,283

(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 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 these items.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended 30 June 2020, the Group financed its operations primarily through cash from the Group's operations and bank borrowings. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth, as well as the net proceeds received from the global offering.

Cash and cash equivalents

As of 30 June 2020, the Group had cash and cash equivalents of RMB254.0 million (31 December 2019: RMB785.2 million), which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Hong Kong dollars (as to 28.3%), Renminbi (as to 60.3%) and U.S. dollars (as to 11.4%).

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

Net proceeds from the global offering (including the partial exercise of the over-allotment option on 9 January 2015), after deducting the underwriting commission and other expenses in connection with the global offering which the Company received amounted to an aggregate of approximately HK$1,043.5 million, comprising HK$1,001.5 million raised from the global offering and HK$42.0 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option. As of 30 June 2020, the Company utilized approximately 85.81%, or HK$895.4 million of the net proceeds from the global offering: (i) HK$666.6 million of which has been utilized to open new and renovate old restaurants; (ii) HK$60.9 million 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 the Group's working capital and other general corporate purposes. The remaining net proceeds have been deposited into short-term demand deposits and money market instruments such as short-term financial products issued by reputable commercial banks. For the rest of 2020 and the upcoming years, the Group will continue to utilize the net proceeds from the global offering for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 5 December 2014 (the "**Prospectus**").

Financial assets at fair value through profit or loss ("FVTPL")

As of 30 June 2020, the Group had financial assets at FVTPL amounted to RMB766.3 million in aggregate (31 December 2019: RMB71.3 million), which mainly represented short-term financial products (the "**Financial Products**") issued by Industrial and Commercial Bank of China Limited, Bank of China Limited, Shanghai Pudong Development Bank Co., Ltd, Fubon Bank (China) Co., Ltd. (collectively, the "**Banks**") and Hang Tang Cathay Rock Investment Management Co. Ltd (the "**Hang Tang Cathay Rock**"). The Financial Products were not principal protected nor with pre-determined or guaranteed return. The Company generally subscribed for the Financial Products on a revolving basis, which means that the Company would subscribe for additional Financial Products when the terms of certain Financial Products previously subscribed for by the Company expired. As of 30 June 2020, the Company held 13 outstanding Financial Products issued by the four different banks and an investment fund company with an aggregate principal amount of RMB760.0 million which shall all mature by no later than 28 December 2020.

The Financial Products which the Company subscribed for during the six months ended 30 June 2020 were with a term ranging from 5 days to 346 days and an expected return rate ranging from 0.93% to 4.8% per annum. The gain the Group realized from the Financial Products during the six months ended 30 June 2020 was recorded as gain from changes in fair value of financial assets designated at financial assets at FVTPL and amounted to approximately RMB9.9 million for the six months ended 30 June 2020.

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

Subscriptions of Financial Products were made for treasury management purpose to maximize the return on the unutilized funds of the Company after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company had in the past selected short-term financial products issued by reputable commercial banks and investment fund companies 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 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 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 a relatively short term of maturity of the Financial Products, the directors of the Company (the "**Directors**") are of the view that the Financial Products pose little risk to the Group and the terms and conditions of each of the subscriptions are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Details of the subscription of the Financial Products issued by the relevant Banks and investment fund company which constituted disclosable transactions of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") were disclosed in the announcements of the Company dated 11 January 2019, 14 January 2019, 16 January 2019 and 26 March 2019. Save as otherwise disclosed in the aforementioned announcements and this report, there was no other single financial product in the Group's investment portfolio that has a carrying amount that account for more than 5% of the Group's total assets as of 30 June 2020.

The Group purchased additional products with an aggregate principal amount of RMB310.0 million from 1 July 2020 up to the date of this report and which remained outstanding as at the date of this 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 30 June 2020, the Group had short term borrowings of RMB187.9 million including (i) bank loans that were made in Renminbi at a fixed interest rate of 3% and are expected to mature within one year; and (ii) liabilities under discounted bills, or any covenant in connection thereof.

Gearing ratio

As of 30 June 2020, the Group's gearing ratio was 9.0%. Gearing ratio was calculated by dividing bank and other borrowings by total equity as of the same date and multiply by 100%.

Capital expenditures

The Group made payment for the capital expenditures representing the purchase of property, plant and equipment of RMB152.9 million for the six months ended 30 June 2020 in connection with new restaurant opening and re-decoration and furnishing of existing stores. For the six months ended 30 June 2019, the Group made payment for the capital expenditure of RMB252.6 million. The Group's capital expenditure in the first half of 2020 was funded primarily by cash generated from its operating activities. In particular, after considering the Group's restaurant opening plan, the Group funded the opening of new restaurants that the Group planned to fund with the net proceeds from the global offering with its existing cash instead. In the first half of 2020, the Group opened a total of 36 new restaurants. As of 30 June 2020, the Group did not have any charge over its assets.

Contingent liabilities and guarantees

As of 30 June 2020, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against us.

Material acquisitions and future plans for major investment

Except for the wealth management products that the Group subscribes from time to time and discloses in the sub-section headed "Financial assets at fair value through profit or loss", the Group did not conduct any material investments, acquisitions or disposals during the six months ended 30 June 2020. 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 in accordance with the Listing Rules. However, the Group will continue to identify new opportunities for business development.

EMPLOYEE AND STAFF COST

As of 30 June 2020, the Group had a total of 26,797 employees, of which 130 employees worked at the Group's food processing facilities, 2,875 were restaurant management staff, 22,409 were restaurant operation and service staff and 1,383 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 six months ended 30 June 2020, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB636.4 million, representing approximately 33.1% of the total revenue of the Group.

Pursuant to the Pre-IPO Share Incentive Plan, options to subscribe for an aggregate of 5,296,769 shares (representing approximately 0.49% of the total issued share capital of the Company as at the date of this report) granted by the Company under the Pre-IPO Share Incentive Plan remained outstanding as of 30 June 2020. The Company has also adopted the RSU Scheme which became effective upon the date of listing of the Company. Computershare Hong Kong Trustees Limited has been appointed as the trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme (the "**RSU Trustee**"). Such shares will be used as awards for relevant RSU Participants upon the grant and vesting of restricted share units ("**RSUs**"). As of 30 June 2020, RSUs in respect of an aggregate of 2,987,759 shares (representing approximately 0.28% of the total issued share capital of the Company as at the date of this report) granted by the Company under the RSU Scheme remained outstanding. Further details of the Pre-IPO Share Incentive Plan and the RSU Scheme, together with, among others, the details of the options granted under the Pre-IPO Share Incentive Plan and the RSUs granted under the RSU Scheme, will be set out in the section headed "Other Information" in this report.

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

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

As of 30 June 2020, 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 shares[1]	Approximate percentage of shareholding[5]
Mr. Ho Kuang-Chi[2]	Founder of a discretionary trust	450,000,000	41.61%
	Beneficial owner	246,491	0.02%
	Beneficiary of a trust	739,476	0.07%
Ms. Zhao Yi[3]	Beneficial owner	2,489,029	0.23%
Ms. Chen Su-Yin[2][4]	Interest of spouse	450,985,967	41.70%

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 739,476 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 2,489,029 underlying shares granted to her under the Pre-IPO Share Incentive Plan and RSU Scheme.

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

(5) As of 30 June 2020, the Company had 1,081,554,215 issued shares.

(b) Interests in other members of the Group

So far as the Directors are aware, as of 30 June 2020, 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$1,400,000	40%

Notes:

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

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

Save as disclosed above, as of 30 June 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of 30 June 2020, 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 of the Company 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	41.61%
Ying Qi Investments Limited[(2)]	Beneficial owner	450,000,000	41.61%
Gap (Bermuda) Limited[(3)]	Interest of controlled corporation	207,000,000	19.14%
General Atlantic Genpar (Bermuda) L.P.[(3)]	Interest of controlled corporation	207,000,000	19.14%
General Atlantic Partners (Bermuda) II, L.P.[(3)]	Interest of controlled corporation	207,000,000	19.14%
General Atlantic Singapore Fund Interholdco Ltd.[(3)]	Interest of controlled corporation	207,000,000	19.14%
General Atlantic Singapore Fund Pte Ltd.[(3)]	Beneficial owner	207,000,000	19.14%
Hillhouse Capital Advisors, Ltd.[(4)]	Investment manager	57,720,500	5.34%
Gaoling Fund, L.P.[(4)]	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) Hillhouse Capital Advisors, Ltd. is the investment manager of, and manages, both Gaoling Fund, L.P. and YHG Investment, L.P. Each of Gaoling Fund, L.P. and YHG Investment, L.P. held 55,920,000 shares and 1,800,500 shares, respectively. Accordingly, Hillhouse Capital Advisors, Ltd. is deemed to be interested in the 55,920,000 shares held by Gaoling Fund, L.P. and 1,800,500 shares held by YHG Investment, L.P. by virtue of the SFO.

(5) As of 30 June 2020, the Company had 1,081,554,215 issued shares.

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

Save as disclosed above, as of 30 June 2020, the Directors or chief executive of the Company are not aware of any other person, not being a Director or chief executive of the Company, who has an interest or short position in the shares or the underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE INCENTIVE PLAN AND RESTRICTED SHARE UNIT SCHEME

Pre-IPO Share Incentive Plan

On 28 August 2009, the Pre-IPO Share Incentive Plan was approved and adopted by the then shareholders of the Company. The purpose of the Pre-IPO Share Incentive Plan is to promote the success of the Company and the interests of our shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors, consultant or advisor who renders or has rendered bona fide services to the Company, and other eligible persons (the "**Eligible Person**") and to further link the interests of the grantees or recipients of the options ("**Options**") or share awards ("**Share Awards**", together with the Options, collectively referred to as the "**Awards**"). No further Options or Awards can be granted under the Pre-IPO Share Incentive Plan after the listing of the Company on 17 December 2014 (the "**Listing Date**"). However, all Options granted under the Pre-IPO Share Incentive Plan are exercisable over a ten-year period from the date of grant. Therefore, given the last batch of Options under the Pre-IPO Share Incentive Plan was granted on 21 March 2014, the remaining life of the Pre-IPO Share Incentive Plan as of 30 June 2020 in respect of outstanding options is approximately three years and nine months. Further details of the principal terms of the Pre-IPO Share Incentive Plan are set out in the Prospectus and the 2019 Annual Report of the Company.

As of 30 June 2020, Options to subscribe for an aggregate of 5,296,769 shares (representing approximately 0.49% of the total issued share capital of the Company as at the date of this report) have been granted by the Company and are outstanding under the Pre-IPO Share Incentive Plan. No Share Award has been granted or agreed to be granted under the Pre-IPO Share Incentive Plan since the adoption of the plan. There is no maximum entitlement for each Eligible Person under the rules of the Pre-IPO Share Incentive Plan although no Eligible Person under the rules of the Pre-IPO Share Incentive Plan has been granted Options exceeding 1.3% of the issued share capital of the Company. During the six months ended 30 June 2020, 866,175 Options have been exercised by the holders, no Option has been cancelled and no Option has lapsed.

Details of the movements in Options during the six months ended 30 June 2020 under the Pre-IPO Share Incentive Plan are set out below:

Name of Option holder	Position held with the Group	Number of shares represented by Options at 1 January 2020	Date of grant	Exercise price (RMB)	Exercised during the period	Weighted average closing price of shares immediately before the dates on which the Options were exercised (HK$)	Cancelled during the period	Lapsed during the period	Number of shares represented by Options at 30 June 2020
Director									
Zhao Yi	Executive Director and Chief Executive Officer	1,627,890	21 March 2014	2.78	–	–	–	–	1,627,890
		1,627,890			**–**		**–**	**–**	**1,627,890**
Other employees of the Group									
18 other employees of the Group		331,800	17 May 2011	1.79	–	–	–	–	331,800
		474,447	24 December 2012	1.84	1,955	9.96	–	–	472,492
		3,728,807	21 March 2014	2.78	864,220	8.67	–	–	2,864,587
		4,535,054			**866,175**		**–**	**–**	**3,668,879**
Total		331,800	17 May 2011	1.79	–	–	–	–	331,800
		474,447	24 December 2012	1.84	1,955	9.96	–	–	472,492
		5,356,697	21 March 2014	2.78	864,220	8.67	–	–	4,492,477
		6,162,944			**866,175**		**–**	**–**	**5,296,769**

Details of movements in the Options under the Pre-IPO Share Incentive Plan are also set out in Note 24 to the condensed consolidated financial statements.

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

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

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

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

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

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

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

RESTRICTED SHARE UNIT SCHEME

On 28 November 2014, the RSU Scheme was approved and adopted by the then shareholders of the Company. Such plan became effective on the Listing Date. The purpose of the RSU Scheme is to incentivize Directors (excluding independent non-executive Directors), senior management, officers and other selected personnel of the Group (the "**RSU Eligible Persons**") for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company. The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion. The RSU Scheme will be valid and effective for a period of ten years from the Listing Date. As of 30 June 2020, the remaining life of the RSU Scheme is approximately four years and six months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) must not exceed 4% of the total number of Shares in issue as at the Listing Date. There is no maximum entitlement for each RSU Eligible Person under the rules of the RSU Scheme. Further details of the principal terms of the RSU Scheme are set out in the Prospectus and the 2019 Annual Report of the Company.

Computershare Hong Kong Trustees Limited has been appointed as the RSU Trustee for the administration of the RSU Scheme pursuant to the rules of the RSU Scheme. The RSU Trustee is a third party independent of and not connected with the Company and any of its connected persons. The RSU Trustee will administer the RSU Scheme in accordance with the rules of the RSU Scheme and the RSU Trust Deed. Pursuant to the rules of the RSU Scheme, the Company may (i) allot and issue shares of the Company (the "**Shares**") to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any shareholder of the Company or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as the Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. During the six months ended 30 June 2020, the RSU Trustee did not purchase any shares on the market. As of the date of this report, the RSU Trustee held a total of 11,196,211 Shares, representing approximately 1.04% of the total issued Shares of the Company as of the date of this report. Pursuant to the RSU Trust Deed, notwithstanding that the RSU Trustee is the legal registered holder of the Shares held upon trust pursuant to the RSU Scheme, the RSU Trustee shall refrain from exercising any voting rights attached to such Shares held by it under the trust.

As of 30 June 2020, RSUs in respect of an aggregate of 2,987,759 Shares, representing approximately 0.28% of the total issued Shares of the Company as of the date of this report, remain outstanding. Details of the RSUs granted under the RSU Scheme and outstanding as of 30 June 2020 and details of the vesting period and the movements in RSUs during the six months ended 30 June 2020 are set out below:

Name of grantees of RSU	Position held with the Group	Number of Shares represented by RSUs at 1 January 2020	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 30 June 2020
Directors								
Ho Kuang-Chi	Chairman of the Board and	739,476	8 May 2017	–	246,491	–	–	492,985
	Executive Director	527,689	14 December 2018	–	131,922	–	–	395,767
Zhao Yi	Executive Director and	370,582	17 November 2016	–	185,291	–	–	185,291
	Chief Executive Officer	490,557	8 May 2017	–	163,518	–	–	327,039
		302,459	14 December 2018	–	75,614	–	–	226,845
Sub-total		2,430,763		–	802,836	–	–	1,627,927
Senior management of the Group								
Yu Xiaofang	Chief Financial Officer	9,915	17 November 2016	–	4,956	–	–	4,959
		18,759	8 May 2017	–	6,252	–	–	12,507
		14,821	14 December 2018	–	3,705	–	–	11,116
Sub-total		43,495		–	14,913	–	–	28,582
Employees of the Group								
18 other employees		862,052	17 November 2016	–	431,020	–	–	431,032
of the Group		1,137,112	8 May 2017	–	379,032	5,902	–	752,178
		33,378	31 January 2018	–	16,688	–	–	16,690
		156,012	14 December 2018	–	38,999	7,827	–	109,186
		44,326	22 January 2019	–	22,162	–	–	22,164
Sub-total		2,232,880		–	887,901	13,729	–	1,331,250
Total		**4,707,138**		**–**	**1,705,650**	**13,729**	–	**2,987,759**

Details of movements in the RSUs under the RSU Scheme are also set out in Note 24 to the condensed consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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.

THE SUBSIDIARY SHARE OPTION SCHEMES

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

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

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

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

The Subsidiary Share Option Schemes shall be valid and effective for a period of five years from the date of adoption of the Subsidiary Share Option Schemes or upon listing of the relevant Operating Subsidiary. As of 30 June 2020, the remaining life of the Subsidiary Share Option Schemes is approximately two years and eleven months.

As of 30 June 2020, no option has been granted pursuant to any of the Subsidiary Share Option Schemes.

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended 30 June 2020.

For details of the shares purchased by the RSU Trustee for the purpose of the RSU Scheme during the six months ended 30 June 2020, please refer to the section headed “Management Discussion and Analysis — Employee and staff costs” above.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

Even though the first half of 2020 has been challenging, the Company has faith in its operations and is working towards a better situation as the Pandemic eases. After careful consideration, the Company decided to distribute dividends to its shareholders as a reward for their continual support. Based on the current liquidity position of the Company and Directors' current outlook for the Company's financial performance in the second half of the year and overall financial position, the Group plans to pay an interim dividend of RMB0.028 per share, amounting to approximately a total of RMB30.0 million for the six months ended 30 June 2020 (the "**2020 Interim Dividend**"). The planned dividend payout ratio will be subject to the full year financial performance and business plan of the Company and market outlook early next year, therefore a final dividend for the full year of 2020 may or may not be paid. The 2020 Interim Dividend is declared in Renminbi and will be paid in Hong Kong dollars, the exchange rate of which will be calculated based on the rate of exchange as quoted to the Company by The Hong Kong and Shanghai Banking Corporation Limited at its middle rate of exchange prevailing on 14 October 2020.

The register of members of the Company will be closed from 12 October 2020 to 14 October 2020 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the 2020 Interim Dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 9 October 2020 for registration. The 2020 Interim Dividend will be paid on 23 October 2020 to those shareholders whose names appear on the register of members of the Company on 14 October 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code throughout the six months ended 30 June 2020.

OTHER INFORMATION

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the Interim Results together with the Company's independent auditors, Deloitte Touche Tohmatsu for the six months ended 30 June 2020.

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

There is no change in the Directors' biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of 2019 annual report of the Company.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 17 December 2014, the Company's shares were listed on the Main Board of the Stock Exchange. A total of 227,100,000 ordinary shares with nominal value of US$0.000025 each of the Company were issued at HK$4.70 per share for a total of approximately HK$1,067.4 million. In addition, on 9 January 2015, the Company issued an additional 9,436,500 ordinary shares with nominal value of US$0.000025 each of the Company pursuant to the partial exercise of the over-allotment option under the Global Offering at HK$4.70 per share for a total of approximately HK$44.4 million. The net proceeds raised by the Company from the Global Offering (including the partial exercise of the over-allotment option on 9 January 2015), after deducting the underwriting commission and other expenses in connection with the Global Offering which the Company received amounted to an aggregate of approximately HK$1,043.5 million, comprising HK$1,001.5 million raised from the Global Offering and HK$42.0 million raised from the issue of shares pursuant to the partial exercise of the over-allotment option.

Up to 30 June 2020, the Company utilized approximately 85.81%, or HK$895.4 million of the net proceeds from the global offering: (i) HK$666.6 million of which has been utilized to open new and renovate old restaurants; (ii) HK$60.9 million 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 the Group's working capital and other general corporate purposes. The remaining net proceeds have been deposited into short-term demand deposits and money market instruments such as short-term financial products issued by reputable commercial banks as well as bonds. In the rest of 2020 and the upcoming years, the Group will continue to utilize the net proceeds from the global offering for purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. It is expected to be fully utilized within next four years.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 35 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	NOTES	For the six months ended 30 June 2020 RMB'000 (Unaudited)	 2019 RMB'000 (Unaudited)
Revenue	4	**1,921,876**	2,712,521
Other income	6	**66,087**	21,543
Raw materials and consumables used		**(764,251)**	(996,617)
Staff costs		**(636,412)**	(719,543)
Property rentals and related expenses		**(93,144)**	(126,277)
Utilities expenses		**(66,653)**	(91,219)
Depreciation and amortization		**(466,397)**	(374,751)
Other expenses	7	**(164,520)**	(168,375)
Other gains and losses	8	**(58,937)**	13,325
Finance costs	9	**(49,594)**	(45,381)
(Loss) profit before tax	10	**(311,945)**	225,226
Income tax credit (expense)	11	**59,840**	(63,037)
(Loss) profit for the period attributable to owners of the Company		**(252,105)**	162,189
Total comprehensive (expense) income for the period attributable to owners of the Company		**(252,105)**	162,189
(Loss) profit for the period attributable to:			
Owners of the Company		**(254,942)**	164,040
Non-controlling interest		**2,837**	(1,851)
		(252,105)	162,189
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(254,942)**	164,040
Non-controlling interest		**2,837**	(1,851)
		(252,105)	162,189
(Loss) earnings per share			
– Basic (RMB cents per share)	13	**(23.84)**	15.41
– Diluted (RMB cents per share)	13	**(23.84)**	15.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	**As at 30 June 2020 RMB'000 (Unaudited)**	As at 31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	14	**1,229,621**	1,313,377
Right-of-use assets	14	**1,874,457**	2,076,016
Intangible assets		**2,486**	3,482
Deferred tax assets		**158,765**	79,192
Rental deposits		**155,853**	147,183
		3,421,182	3,619,250
Current assets			
Inventories	15	**577,134**	711,773
Trade and other receivables and prepayments	16	**352,254**	378,375
Loan receivable	17	**33,500**	60,000
Financial assets at fair value through profit or loss ("**FVTPL**")	18	**766,320**	71,296
Pledged bank deposits		**48,682**	–
Bank balances and cash		**253,958**	785,192
		2,031,848	2,006,636
Current liabilities			
Trade payables	20	**280,785**	350,075
Accrual and other payables		**672,270**	655,510
Lease liabilities		**495,972**	464,490
Income tax payables		**24,563**	96,066
Contract liability	21	**225,589**	146,017
Deferred income		**1,966**	1,595
Borrowings	22	**187,928**	–
		1,889,073	1,713,753
Net current assets		**142,775**	292,883
Total assets less current liabilities		**3,563,957**	3,912,133

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTES	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current liability			
Deferred income		**27,145**	10,097
Lease liabilities		**1,429,239**	1,513,972
Financial liability at FVTPL	23	**16,336**	1,224
		1,472,720	1,525,293
Net assets		**2,091,237**	2,386,840
Capital and reserves			
Share capital		**175**	174
Share premium and reserves		**2,076,830**	2,375,271
Equity attributable to owners of the Company		**2,077,005**	2,375,445
Non-controlling interest		**14,232**	11,395
Total equity		**2,091,237**	2,386,840

DIRECTOR　　　　*DIRECTOR*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share Capital RMB'000	Share premium RMB'000	Equity-settled share-based payments reserve RMB'000	Statutory surplus reserve RMB'000	Treasury share reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2020 (Audited)	**174**	**539,824**	**26,781**	**36,318**	**(78,493)**	**1,850,841**	**2,375,445**	**11,395**	**2,386,840**
(Loss) profit for the period	–	–	–	–	–	(254,942)	(254,942)	2,837	(252,105)
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Total comprehensive (expense) income for the period	–	–	–	–	–	(254,942)	(254,942)	2,837	(252,105)
Recognition of equity-settled share-based payments	–	–	3,503	–	–	–	3,503	–	3,503
Exercise of issued share option	1	3,679	(1,057)	–	–	–	2,623	–	2,623
Exercise of Restricted Share Unit ("**RSU**") Scheme	–	97	(10,467)	–	10,370	–	–	–	–
Payments of dividends (Note 12)	–	(49,624)	–	–	–	–	(49,624)	–	(49,624)
Appropriation of statutory surplus reserve	–	–	–	738	–	(738)	–	–	–
Balance at 30 June 2020 (Unaudited)	**175**	**493,976**	**18,760**	**37,056**	**(68,123)**	**1,595,161**	**2,077,005**	**14,232**	**2,091,237**
Balance at 1 January 2019 (Audited)	174	694,027	28,741	29,091	(80,562)	1,569,968	2,241,439	6,028	2,247,467
Profit (loss) for the period	–	–	–	–	–	164,040	164,040	(1,851)	162,189
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–
Total comprehensive income (expense) for the period	–	–	–	–	–	164,040	164,040	(1,851)	162,189
Recognition of equity-settled share-based payments	–	–	3,271	–	–	–	3,271	–	3,271
Exercise of issued share option	–	11,827	(4,462)	–	–	–	7,365	–	7,365
Exercise of RSU Scheme	–	(865)	(7,862)	–	8,727	–	–	–	–
Payments of dividends (Note 12)	–	(101,248)	–	–	–	–	(101,248)	–	(101,248)
Balance at 30 June 2019 (Unaudited)	174	603,741	19,688	29,091	(71,835)	1,734,008	2,314,867	4,177	2,319,044

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**369,246**	597,557
Cash flows from investing activities		
Purchase of financial assets at FVTPL	**(1,964,060)**	(2,380,000)
Proceeds from disposal of financial assets at FVTPL	**1,278,928**	1,303,108
Purchases of property, plant and equipment	**(152,869)**	(252,572)
Payments for right-of-use assets	**(1,940)**	(14,597)
Payments for rental deposits	**(5,462)**	(26,939)
Proceeds from disposal of property, plant and equipment	**94**	322
Purchase of intangible assets	**(288)**	(1,847)
Placement of pledged bank deposits	**(48,682)**	–
Repayments of loan receivable	**26,500**	–
Net cash used in investing activities	**(867,779)**	(1,372,525)
Cash flow from financing activities		
Dividend paid	**(49,624)**	(101,248)
Repayments of leases liabilities	**(173,423)**	(202,343)
Cash received from exercise of share option	**2,623**	7,365
Amounts prepaid to the RSU trustee for purchase of ordinary shares (Note 24)	**(793)**	(1,145)
New bank loans raised	**187,928**	–
Interest paid	**(1,227)**	–
Net cash used in financing activities	**(34,516)**	(297,371)
Net decrease in cash and cash equivalents	**(533,049)**	(1,072,339)
Cash and cash equivalents at the beginning of the period	**785,192**	1,340,692
Effect of foreign exchange rate changes, net	**1,815**	495
Cash and cash equivalents at the end of the period represented by bank balances and cash	**253,958**	268,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group closed most of its restaurants from January 2020 to April 2020 due to voluntarily in an effort to contain the spread of the pandemic. On the other hand, the PRC government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group. The Group received government assistance in respect of COVID-19-related subsidies, rent concessions from certain lessors, as disclosed in Note 6 and Note 14.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to IFRS 16 "COVID-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

3.1 Impacts and accounting policies on early application of Amendment to IFRS 16 "COVID-19 – Related Rent Concessions"

3.1.1 Accounting policies

Leases

COVID-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic,the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in the profit or loss in the period in which the event occurs.

3.1.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. The Group recognized changes in lease payments that resulted from rent concessions of RMB22,332,000 in the profit or loss for the current interim period.

4. REVENUE

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

	For the six months ended 30 June 2020			
Segments	**Xiabuxiabu RMB'000 (Unaudited)**	**Coucou RMB'000 (Unaudited)**	**Others RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Type of goods or service				
Restaurant operations	**1,222,212**	**593,039**	**–**	**1,815,251**
Sales of the condiment products	**–**	**–**	**57,054**	**57,054**
Sales of other goods	**17,928**	**–**	**31,643**	**49,571**
Total	**1,240,140**	**593,039**	**88,697**	**1,921,876**
Geographical markets				
Mainland China	**1,240,140**	**563,210**	**88,697**	**1,892,047**
Hong Kong	**–**	**29,829**	**–**	**29,829**
Total	**1,240,140**	**593,039**	**88,697**	**1,921,876**

	For the six months ended 30 June 2019			
Segments	Xiabuxiabu RMB'000 (Unaudited)	Coucou RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or service				
Restaurant operations	2,194,298	488,690	–	2,682,988
Sales of the condiment products	–	–	24,453	24,453
Sales of other goods	4,986	94	–	5,080
Total	2,199,284	488,784	24,453	2,712,521
Geographical markets				
Mainland China	2,199,284	488,784	24,453	2,712,521
Hong Kong	–	–	–	–
Total	2,199,284	488,784	24,453	2,712,521

5. OPERATING SEGMENTS

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Six months ended 30 June 2020

Continuing operations

	Xiabuxiabu RMB'000 (Unaudited)	Coucou RMB'000 (Unaudited)	Total reportable segments RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Adjustments and Consolidated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
SEGMENT REVENUE						
External sales	1,240,140	593,039	1,833,179	88,697	–	1,921,876
Inter-segment sales	–	–	–	52,537	(52,537)	–
	1,240,140	593,039	1,833,179	141,234	(52,537)	1,921,876
Segment loss	(221,418)	(21,237)	(242,655)	(9,450)	–	(252,105)
Share of profit of non-controlling interest						2,837
Group's loss before tax from continuing operations						(254,942)

Six months ended 30 June 2019

Continuing operations

	Xiabuxiabu RMB'000 (Unaudited)	Coucou RMB'000 (Unaudited)	Total reportable segments RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Adjustments and Consolidated RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
SEGMENT REVENUE						
External sales	2,199,284	488,784	2,688,068	24,453	–	2,712,521
Inter-segment sales	–	–	–	–	–	–
	2,199,284	488,784	2,688,068	24,453	–	2,712,521
Segment profit (loss)	165,256	14,906	180,162	(17,973)	–	162,189
Share of loss of non-controlling interest						(1,851)
Group's profit before tax from continuing operations						164,040

5. OPERATING SEGMENTS *(CONTINUED)*

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	30/06/2020 **RMB'000** **(Unaudited)**	31/12/2019 RMB'000 (Audited)
Continuing operations		
Xiabuxiabu	**3,629,847**	3,758,039
Coucou	**1,168,246**	1,197,073
Total reportable segment assets	**4,798,093**	4,955,112

	30/06/2020 **RMB'000** **(Unaudited)**	31/12/2019 RMB'000 (Audited)
Continuing operations		
Xiabuxiabu	**2,348,523**	2,262,498
Coucou	**899,656**	886,143
Total reportable segment liabilities	**3,248,179**	3,148,641

6. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	**517**	2,144
– rental deposits	**3,302**	2,054
– loan receivable	**2,148**	–
	5,967	4,198
Promotion service income	**1,725**	443
COVID-19 related value-added tax exemption (Note i)	**30,345**	–
Government grant		
– subsidy received (Note ii)	**12,512**	4,485
– release from deferred income	**890**	798
	13,402	5,283
Delivery income for takeout orders	**8,200**	8,069
Others	**6,448**	3,550
	14,648	11,619
	66,087	21,543

Notes:

i. During the current interim period, the Group recognized RMB30,345,000 in respect of COVID-19-related value-added tax exemption provided by the local government in accordance with Cai Shui [2020] No.8 Tax Policy on Supporting COVID-19 Prevention and Control Measures, which came into effect on 1 January 2020. According to Cai Shui [2020] No.8, restaurant operation revenue of the Group is temporarily exempted from value-added tax until further notice.

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

7. OTHER EXPENSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Delivery service fee	**37,206**	33,490
Marketing expenses	**33,735**	28,148
Professional service fee	**28,068**	25,485
Logistics expenses	**18,697**	22,931
Travel and communication expenses	**16,300**	22,975
Office and administrative expenses	**12,428**	16,466
Maintenance fees	**7,471**	7,175
Disability benefits	**3,490**	1,980
Others	**7,125**	9,725
	164,520	168,375

8. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses on disposal of property, plant and equipment, net	**(339)**	(772)
Gain on termination of lease	**2,795**	687
Foreign exchange gain, net	**1,800**	495
Impairment loss recognized in respect of leasehold improvement	**(17,254)**	(2,199)
Impairment loss on right-of-use assets	**(33,498)**	(5,147)
Gains from changes in fair value of financial assets at FVTPL	**9,892**	20,261
Loss from changes in fair value of financial liability at FVTPL	**(15,112)**	–
Losses on disposal of inventory	**(7,221)**	–
	(58,937)	13,325

9. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**48,367**	45,381
Interest on bank borrowings	**1,227**	–
	49,594	45,381

10. (LOSS) PROFIT BEFORE TAX

The Group's (loss) profit for the period has been arrived at after charging the following items:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	**269,224**	226,747
Depreciation of property, plant and equipment	**195,889**	147,064
Amortization of intangible assets	**1,284**	940
Total depreciation and amortization	**466,397**	374,751
– restaurants lease payments		
– variable lease payment (Note)	**45,104**	44,744
– COVID-19-related rent concessions (Note 14)	**(22,332)**	–
– short-term lease	**11,172**	31,823
– other rental expenses	**59,200**	49,710
Total property rentals and related expenses	**93,144**	126,277
Directors' emoluments	**4,202**	3,488
Other staff cost	**632,210**	716,055
Total staff cost	**636,412**	719,543

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

11. INCOME TAX (CREDIT) EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Enterprise income tax ("**EIT**")		
Current tax	**19,733**	78,892
Deferred tax	**(79,573)**	(15,855)
Total income tax recognized in profit or loss	**(59,840)**	63,037

As disclosed in the Group's annual financial statements for the year ended 31 December 2019, during the process of negotiation with the PRC tax authority for getting the consent and endorsement for making 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 of the Company, 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.

12. DIVIDENDS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognized as distributions during the period	**49,624**	101,248

On 7 April 2020, the Company declared a dividend of RMB0.046 per share with total dividends of RMB49,624,000 to shareholders for the year ended 31 December 2019. The dividend was paid in June 2020.

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.

Subsequent to the end of the reporting period, an interim dividend in respect of the six months ended 30 June 2020 of RMB0.028 per share, amounting to approximately RMB30,000,000 to be paid out of the Company's share premium account has been declared by the directors of the Company.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share for the period is as following:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) earnings for the purposes of calculating basic and diluted earnings per share		
(Loss) profit for the period attributable to owners of the Company	**(254,942)**	164,040

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

	For the six months ended 30 June	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**1,069,367**	1,064,229
Effect of dilutive potential ordinary shares (Note)	**–**	11,259
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**1,069,367**	1,075,488

Note: The calculation of diluted loss per share for the six months ended 30 June 2020 does not assume the exercise of the Company's share options and restricted shares since the assumed exercise of share options and restricted shares would result in a decrease in loss per share.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB433,000 (six months ended 30 June 2019: RMB1,094,000) for cash proceeds of RMB94,000 (six months ended 30 June 2019: RMB322,000). Resulting in a loss on disposal of RMB339,000 (six months ended 30 June 2019: RMB772,000).

During the six months ended 30 June 2020, additions to the property, plant and equipment amounted to RMB129,820,000 (six months ended 30 June 2019: RMB212,964,000) consisting of leasehold improvement, machinery, motor vehicles, furniture and fixtures and construction in progress.

During the current interim period, the Group entered into several new lease agreements with lease terms range from 2 to 10 years. The Group is required to make fixed term payments and additional variable payments depending on the restaurants' performance during the contract period. On lease commencement, the Group recognized right-of-use asset of RMB104,657,000 (six months ended 30 June 2019: RMB192,735,000) and lease liability of RMB102,388,000 (six months ended 30 June 2019: RMB175,112,000).

During the current interim period, certain restaurants were not available for use as a result of closure of shopping malls in January 2020. As disclosed in Note 2, the Group had to temporarily close its restaurants in order to contain the spread of COVID-19. Lessors of the relevant restaurants provided rent concessions to the Group through rent reductions ranging from 20% to 100% over one to twelve months.

These rent concessions occurred as a direct consequence of COVID-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB22,332,000 were recognized as negative variable lease payments.

Impairment assessment

As a result of the changes in the current economic environment related to the COVID-19 pandemic, the Group is experiencing negative conditions including decreased revenues, restaurants closures, or declines in share price that indicate that the relevant leasehold improvement and right-of-use assets may be impaired.

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 30 June 2020 (30 June 2019: 17.05%). 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.

During the current interim period, the Group recognized impairment loss of RMB17,254,000 and RMB33,498,000 (six months ended 30 June 2019: RMB2,199,000 and RMB5,147,000) related to leasehold improvement and right-of-use assets respectively. An elimination of impairment loss of RMB12,028,000 and RMB3,625,000 (six months ended 30 June 2019: RMB3,665,000 and Nil) was recognized related to leasehold improvement and right-of-use assets respectively, because of the closure of the relevant restaurants.

15. INVENTORIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Food and beverage	**493,664**	627,661
Other materials	**59,535**	56,527
Consumables	**23,935**	27,585
	577,134	711,773

16. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	**21,300**	36,169
Prepaid rental expense	**23,831**	43,698
Prepayments to suppliers	**47,234**	36,109
Interest receivable	**4,307**	2,159
Amounts prepaid to the RSU Trustee for purchase of ordinary shares (Note 24)	**14,858**	14,065
Prepayments for value-added tax	**222,279**	227,666
Other receivables	**18,445**	18,509
	352,254	378,375

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

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

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 30 days	**21,300**	36,169

Details of the impairment assessment are set out in Note 19.

17. LOAN RECEIVABLE

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Fixed-rate loan receivable	**33,500**	60,000
Analysed as		
Current	**33,500**	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 Group entered into a renewal agreement on 18 May 2020 for the remaining principle amount of RMB39,000,000, which is still carrying fixed interest at 10% per annum and will expire on 26 December 2020. As at 30 June 2020, the remaining balance of loan receivable was RMB33,500,000. Details of the impairment assessment are set out in Note 19.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 June 2020, the Group's financial assets at FVTPL amounting to RMB766,320,000 are the financial products issued by banks and Hang Tang Cathay Rock Investment Management Co., Ltd., which are short-term investments with no predetermined or guaranteed return and are not principal protected. These financial assets are with expected rates of return, depending on the market price of underlying financial instruments, including government bonds, central bank bills, trust, listed shares and other financial assets.

19. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS ("ECL") MODEL

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the condensed consolidated statement of financial position as of 30 June 2020 (including trade receivables, other receivables, rental deposit, loan receivable, bank balances and cash).

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

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

Loan receivable is assessed for impairment individually. Based on assessment by the management of the Company, the loss given default is low in view of the testing result of ECL model as well as the historical credit loss experience of the debtor, and the directors of the Company considers the ECL for loan receivables is insignificant.

20. TRADE PAYABLES

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 60 days	**265,024**	342,649
61 to 180 days	**8,920**	1,110
181 to 1 year	**2,026**	2,970
Over 1 year	**4,815**	3,346
	280,785	350,075

21. CONTRACT LIABILITY

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Customer loyalty programme (Note i)	**15,339**	16,274
Prepaid cards and advance from customers (Note ii)	**210,250**	129,743
	225,589	146,017

Notes:

i. The contract liability of customer loyalty programme was issued in January 2017, and recognized along with the restaurant services provided during each reporting period. As at 30 June 2020, the balance of RMB15,339,000 (as at 31 December 2019: RMB16,274,000) presents the unredeemed performance obligation relating to the customer loyalty programme.

ii. Prepaid cards issued by the Group, which can be utilised in the future consumption in restaurants by the customers, are recognized as contract liabilities. Advance from customers for which the services have not been rendered are recognized as contract liabilities until the relevant services are performed.

22. BORROWINGS

During the current interim period, the Group obtained new pledged bank loans amounting to RMB133,605,000 (six months ended 30 June 2019: Nil). The loans carried interest at fixed market rates of 3% and are repayable in instalments over a period of one year. The proceeds were used to support the operation of the Group.

During the year, the Group discounted bills receivables with recourse in an aggregate amount of RMB54,323,000 (six months ended 30 June 2019: Nil) to banks for short term financing. As at 30 June 2020, the associated borrowings amounting to RMB54,323,000 (six months ended 30 June 2019: Nil).

23. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Derivative financial instruments	**16,336**	1,224

23. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS *(CONTINUED)*

In 2019, 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. One of the sellers of Yishun, 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 directors of the Company, the Company's right and obligation in the Trust constitute a derivative which is based on the stock price of the Company. As at 30 June 2020, the fair value of the derivative was RMB16,336,000, 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 27.

24. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(1) Share option schemes

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

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

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

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

(1) Share option schemes *(continued)*

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

	Number of share options
Outstanding as at 1 January 2020	6,162,944
Exercised during the period	(866,175)
Outstanding as at 30 June 2020	5,296,769

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

The Group recognized the total expense of RMB191,000 for the period ended 30 June 2020 (six months ended 30 June 2019: RMB392,000) 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 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 of the Company, 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.

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

(2) Restricted share unit scheme *(continued)*

i. Purchase of treasury share under the RSU Scheme

During the six months ended 30 June 2020 and 2019, the Company did not acquire its existing shares from the market. The shares were held on trust for the benefit of the RSU Participants pursuant to the RSU Scheme and the trust deed. The shares so purchased were used as awards for relevant participants in the RSU Scheme (the "**RSU Participants**").

As at 30 June 2020, an amount of RMB14,858,000 (as at 31 December 2019: RMB14,065,000) was 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 HKD	Vesting period
RSUs tranche A	2,910,920	17/11/2016	17/11/2026	4.83	25% for each of 4 years after 01/04/2018
RSUs tranche B	3,993,190	08/05/2017	08/05/2027	6.99	25% for each of 4 years after 01/04/2019
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

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

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

(2) Restricted share unit scheme *(continued)*

ii. Details of granted RSUs *(continued)*

The following table discloses the movement of the Company's RSUs granted to the selected participants for the period ended 30 June 2020 and outstanding as at 30 June 2020:

	Number of Awarded Shares			
	Outstanding at 1 January 2020	**Exercised during the period**	**Forfeited during the period**	**Outstanding at 30 June 2020**
RSU tranches				
RSUs granted to				
Directors	2,430,763	(802,836)	–	1,627,927
Other key management personnel	43,495	(14,913)	–	28,582
Other staff	2,232,880	(887,901)	(13,729)	1,331,250
Total	4,707,138	(1,705,650)	(13,729)	2,987,759

At the end of each interim period, the Group revises its estimates of the numbers 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 RMB3,312,000 for the period ended 30 June 2020 (six months ended 30 June 2019: RMB2,879,000) in relation to RSUs granted by the Company.

25. CAPITAL COMMITMENTS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	**15,240**	25,566

Except for the capital commitments disclosed above, as at 30 June 2020, the Group entered into several new leases contracts for retail stores which have not yet commenced, with average non-cancellable periods ranging from 3 to 10 years, excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period amounted to RMB24,513,000.

26. 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 six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Related companies controlled by the Controlling Shareholder	Purchase of food ingredients	**40,463**	59
	Sales of food ingredients	**59**	257
	Royalty fee	**6,406**	–
	Trade and other receivables and prepayments	**38**	–
	Trade payables	**8,926**	–
	Accrual and other payables	**1,590**	–
	Right-of-use asset	**–**	864
	Lease liability	**–**	871
	Operating lease expense	**600**	–

(b) Remuneration of key management personnel of the Group

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**1,230**	1,235
Post-employment benefit	**23**	12
Equity-based share-based payments	**921**	2,448
	2,174	3,695

27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

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

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

Financial assets	**Fair value as at (RMB'000)**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	30 June 2020	31 December 2019				
Financial assets at FVTPL	**Asset 605,046**	Asset 71,296	Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa
Financial assets at FVTPL	**Asset 60,853**	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on LIBOR and market interest rate (from observable yield curves in holding period).	N/A	N/A
Financial assets at FVTPL	**Asset 100,421**	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on the quoted prices in active market for identical assets or liabilities.	N/A	N/A
Financial liability at FVTPL	**Liability 16,336**	Liability 1,224	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 out that arising from the Trust, based on an appropriate discount rate.	N/A	N/A

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

A 5% decrease in the estimated return rates holding all other variables constant would decrease the carrying amount of the short-term investments by RMB252,000 (31 December 2019: RMB65,000).

A 5% increase in the estimated return rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB252,000 (31 December 2019: RMB65,000).

There were no transfers between Level 1, level 2 and level 3 during the reporting period.

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 2019 (audited)	–
Purchase of financial assets at FVTPL	2,280,000
Redemption of financial assets at FVTPL	(1,303,108)
Net gains on financial assets at FVTPL	20,230
At 30 June 2019 (unaudited)	997,122
At 1 January 2020 (audited)	71,296
Purchase of financial assets at FVTPL	1,804,060
Redemption of financial assets at FVTPL	(1,278,928)
Net gains on financial assets at FVTPL	8,618
At 30 June 2020 (unaudited)	605,046

Fair value of the financial assets and liabilities that are not measured at fair value on a recurring basis

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