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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 520)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	2,394,528	2,846,121
Segment results ⁽¹⁾	(32,916)	62,763
(Loss) profit before tax	(267,000)	7,038
Total (loss) profit for the period	(273,666)	2,120
Total (loss) profit for the period attributable to owners of the Company	(272,820)	2,406

(1) The measure used for reporting segment result is the adjusted segment profit (loss) before (i) Certain gain or loss from changes in fair value of financial assets at FVTPL, (ii) Interest on bank borrowings, (iii) Impairment loss and disposal losses on non-current assets, (iv) Impairment loss on financial assets and (v) Loss on closure of restaurants.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”, “**we**”, “**us**” or “**our**”) for the six months ended 30 June 2024 (the “**Reporting Period**”).

BUSINESS REVIEW AND OUTLOOK

Overview

By the end of June 2024, the Group operated a total of 1,072 restaurants worldwide, including 1,051 restaurants in China and 21 restaurants in Hong Kong, Macau, Taiwan and other markets. In the first half of 2024, the Group opened 41 new Xiabuxiabu restaurants and operated 821 Xiabuxiabu restaurants in 21 provinces and autonomous regions and 3 centrally administered municipalities in Mainland China, namely Beijing, Tianjin and Shanghai. The Group also opened 9 new Coucou restaurants and operated 229 Coucou restaurants in 19 provinces and 3 centrally administered municipalities in China, namely Beijing, Tianjin, Shanghai. In the first half of 2024, the Group opened 1 new Coucou restaurant in Taiwan, 1 new Coucou restaurants in Hong Kong, and operated a total of 16 Coucou restaurants and 5 Xiabuxiabu restaurants in Hong Kong, Macau, Taiwan and other markets.

The Group's revenue decreased by 15.9% from RMB2,846.1 million in the first half of 2023 to RMB2,394.5 million for the Reporting Period. The sales from Xiabuxiabu decreased by 4.6% from RMB1,377.0 million in the first half of 2023 to RMB1,313.1 million for the Reporting Period. The sales generated from Coucou decreased by 28.3% from RMB1,401.5 million in first half of 2023 to RMB1,004.5 million for the Reporting Period. During the Reporting Period, the Group recorded a pre-tax loss of RMB267.0 million, while the pre-tax profit for the six months ended 30 June 2023 was RMB7.0 million. The Group recorded such a net loss of RMB274.0 million for the six months ended 30 June 2024 mainly due to (i) a year-on-year decrease in revenue for brands under the Group as a result of the weak consumption in the overall market environment and downgraded consumption, and fierce competition in the catering market which led to low customer traffic to restaurants during the Reporting Period; and (ii) the provision of relevant impairment losses of approximately RMB203 million in the first half of 2024 for restaurants that are expected to be closed and record continued losses after careful consideration. However, the Group actively optimized its operating model in the first half of 2024 while providing consumers with more high-quality and cost-effective consumption options, including (i) maintaining quality and boosting customer traffic by proactively lowering prices and launching set meals; and (ii) strengthening and stabilizing the Group's negotiating skills by leveraging on centralized procurement to further reduce the average purchase price.

In addition to strictly controlling various expenditures to maintain an appropriate capital position, the Group has introduced a series of operational management initiatives, including (i) the implementation of the brand visual improvement program, with the Xiabuxiabu brand re-planning focusing on the concept of “home” and moving towards a topical, youthful and fashionable brand packaging upgrade direction to increase consumer loyalty; (ii) continuously leveraging on the traffic dividend from online platforms such as TikTok to strengthen brand image and reputation; (iii) rapidly expanding the service coverage of its delivery business, launching new delivery products with high click-through rate to capture the snack and cooked food market, and actively expanding e-commerce collaborations to attract traffic; and (iv) persistently promoting the privilege membership business, which has brought benefits to consumers and provided strong momentum for the Group’s performance growth.

Operational Highlights

The Group’s restaurant network

By the end of June 2024, the Group operated a total of 1,072 restaurants worldwide, including 1,051 restaurants in Mainland China and 21 restaurants in other markets. In the first half of 2024, the Group opened 41 new Xiabuxiabu restaurants, all newly opened in Mainland China; 11 new Coucou restaurants were opened, of which 9 restaurants were opened in Mainland China and 1 restaurant was opened in Hong Kong, China; and 1 Coucou restaurant was opened in Taiwan, China. In addition, the Group closed a total of 48 Xiabuxiabu restaurants, a total of 23 Coucou restaurants and a total of 7 Shaohot restaurants in the first half of 2024 due to commercial reasons.

The table below sets forth the number of the Group’s Xiabuxiabu restaurants (“#”) by region as at the dates indicated:

	As at 30 June			
	2024		2023	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Tier 1 cities ⁽¹⁾	328	39.7	319	37.9
Tier 2 cities ⁽²⁾	306	37.1	316	37.5
Tier 3 cities and below ⁽³⁾	187	22.6	206	24.4
Subtotal	821	99.4	841	99.8
Other markets ⁽⁴⁾	5	0.6	2	0.2
Total	826	100.0	843	100.0

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Baoding, Changzhou, Dalian, Langfang, Nantong, Ningbo, Qingdao, Suzhou, Wuxi, Xuzhou and Yantai etc.

(3) All cities except for tier 1 and tier 2 cities mentioned in (1) and (2) above.

(4) Hong Kong (China), Taiwan (China) and Singapore.

The table below sets forth the number of the Group’s Coucou restaurants (“#”) by region as at the dates indicated:

	As at 30 June			
	2024		2023	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Tier 1 cities ⁽¹⁾	84	34.3	90	36.1
Tier 2 cities ⁽²⁾	138	56.3	140	56.2
Tier 3 cities and below ⁽³⁾	7	2.9	7	2.8
Subtotal	229	93.5	237	95.2
Other markets ⁽⁴⁾	16	6.5	12	4.8
Total	245	100.0	249	100.0

(1) Beijing, Shanghai, Guangzhou and Shenzhen.

(2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Changzhou, Dalian, Foshan, Dongguan, Huizhou, Jiaxing, Jinhua, Jiangyin, Nantong, Ningbo, Qingdao, Quanzhou, Xiamen, Shaoxing, Suzhou, Taizhou, Wenzhou, Wuxi, Zhongshan and Zhuhai.

(3) Yangzhou, Putian, Shantou, Taizhou, Huzhou, Zhangzhou and Jiangmen.

(4) Hong Kong (China), Taiwan (China) and Singapore.

Key operational information of the Group's restaurants

Set forth below are certain key performance indicators of the Group's Xiabuxiabu restaurants for the periods indicated:

	For the six months ended 30 June	
	<u>2024</u>	<u>2023</u>
Net Revenue (in RMB thousands)		
Tier 1 cities ⁽¹⁾	623,944	650,012
Tier 2 cities ⁽²⁾	389,250	481,187
Tier 3 cities and below ⁽³⁾	223,087	288,579
Subtotal	<u>1,236,281</u>	<u>1,419,778</u>
Other markets ⁽⁶⁾	<u>18,244</u>	<u>1,170</u>
Total	<u><u>1,254,525</u></u>	<u><u>1,420,948</u></u>
Average spending per customer (RMB)⁽⁴⁾		
Tier 1 cities ⁽¹⁾	60.0	58.8
Tier 2 cities ⁽²⁾	57.9	57.9
Tier 3 cities and below ⁽³⁾	59.2	57.5
Subtotal	<u>59.2</u>	<u>58.2</u>
Other markets ⁽⁶⁾	<u>123.4</u>	<u>143.4</u>
Total	<u><u>59.6</u></u>	<u><u>58.4</u></u>
Seat turnover rate (x)⁽⁵⁾		
Tier 1 cities ⁽¹⁾	2.8	2.9
Tier 2 cities ⁽²⁾	2.1	2.2
Tier 3 cities and below ⁽³⁾	1.9	2.1
Subtotal	<u>2.3</u>	<u>2.4</u>
Other markets ⁽⁶⁾	<u>2.4</u>	<u>2.9</u>
Total	<u><u>2.3</u></u>	<u><u>2.4</u></u>

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- (1) Beijing, Shanghai, Guangzhou and Shenzhen.
 - (2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Baoding, Changzhou, Dalian, Langfang, Nantong, Ningbo, Qingdao, Suzhou, Wuxi and Yantai etc.
 - (3) All cities except for tier 1 and tier 2 cities mentioned in (1) and (2) above.
 - (4) Calculated by dividing revenue generated from sales of Xiabuxiabu restaurants for the period by total customer traffic of Xiabuxiabu restaurants for the period.
 - (5) Calculated by (for counter seats) dividing total customer traffic by total Xiabuxiabu restaurants' operation days and average seat count during the period, or (for dining tables) dividing total customer traffic by total Xiabuxiabu restaurants' operation days and average table count during the period.
 - (6) Hong Kong (China), Taiwan (China) and Singapore.

Compared to the same period last year when there was a rebound in consumption post-pandemic, and our Company launched discount activities for the anniversary stored value promotion to boost customer traffic to restaurants, and overall consumption power in the first half of 2024 was relatively weak. Additionally, our Company did not have any significant discount and promotional activities during the Reporting Period, resulting in fewer customer traffic to the restaurants. The customer turnover rate decreased from 2.4x for the six months ended 30 June 2023 to 2.3x for the Reporting Period.

The table below sets forth same-store sales and sales growth of Group's Xiabuxiabu restaurants for the periods indicated:

	For the six months ended 30 June	
	<u>2024</u>	<u>2023</u>
Number of same-store*		
Tier 1 cities	283	283
Tier 2 cities	292	283
Tier 3 cities and below	178	188
Total	<u>753</u>	<u>754</u>
Same-store sales (in RMB million)		
Tier 1 cities	410.0	573.6
Tier 2 cities	267.1	424.6
Tier 3 cities and below	149.5	269.9
Total	<u>826.7</u>	<u>1,268.1</u>
Same-store sales growth (%)		
Tier 1 cities	(12.9)	26.9
Tier 2 cities	(22.5)	31.9
Tier 3 cities and below	(27.2)	29.2
	<u>(19.0)</u>	<u>29.1</u>

* Including restaurants that commenced operations prior to the beginning of the periods under comparison.

Set forth below are certain key performance indicators of the Group's Coucou restaurants for the periods indicated:

	For the six months ended 30 June	
	<u>2024</u>	<u>2023</u>
Net Revenue (in RMB thousands)		
Tier 1 cities ⁽¹⁾	338,592	524,535
Tier 2 cities ⁽²⁾	437,304	627,447
Tier 3 cities and below ⁽³⁾	21,373	29,784
Subtotal	797,268	1,181,766
Other markets ⁽⁶⁾	146,005	154,965
Total	943,273	1,336,731
Average spending per customer (RMB)⁽⁴⁾		
Tier 1 cities ⁽¹⁾	124.3	139.3
Tier 2 cities ⁽²⁾	117.3	128.8
Tier 3 cities and below ⁽³⁾	116.8	132.3
Subtotal	120.1	133.4
Other markets ⁽⁶⁾	286.1	303.7
Total	137.8	142.2
Table turnover rate (x)⁽⁵⁾		
Tier 1 cities ⁽¹⁾	1.7	2.4
Tier 2 cities ⁽²⁾	1.4	2.0
Tier 3 cities and below ⁽³⁾	1.3	1.9
Subtotal	1.5	2.1
Other markets ⁽⁶⁾	2.2	2.4
Total	1.6	2.1

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- (1) Beijing, Shanghai, Guangzhou and Shenzhen.
 - (2) Except for the tier 1 cities mentioned above, all centrally administered municipalities and most provincial capitals, plus Changzhou, Dalian, Foshan, Dongguan, Huizhou, Jiaying, Jinhua, Jiangyin, Nantong, Ningbo, Qingdao, Quanzhou, Xiamen, Shaoxing, Suzhou, Taizhou, Wenzhou, Wuxi, Zhongshan and Zhuhai.
 - (3) Yangzhou, Putian, Shantou, Taizhou, Huzhou, Jiangmen and Haikou.
 - (4) Calculated by dividing revenue generated from sales of Coucou restaurants for the period by total customer traffic of Coucou restaurants for the period.
 - (5) For the dine-in customers, this is calculated by dividing total sales by total Coucou restaurants' operation days and average table count during the period. For the delivery part, the delivery sales that equals to the average dine-in customer spending is regarded as one dine-in customer.
 - (6) Hong Kong (China), Taiwan (China) and Singapore.

In the first half of 2024, due to the impact of consumption downgrade, the Coucou brand, which has a higher customer unit price, was greatly affected, and customer traffic declined. Although the Company has taken various proactive measures such as offering an option for smaller portions for some of the dishes, providing various benefits to the members of the all-you-can-eat card, online and offline marketing activities, and large-scale live streaming marketing for the anniversary, the table turnover rate of Coucou restaurants still decreased from 2.1x in the first half of 2023 to 1.6x in the first half of 2024.

The table below sets forth same-store sales and sales growth of Group's Coucou restaurants for the periods indicated:

	For the six months ended 30 June	
	<u>2024</u>	<u>2023</u>
Number of same-store*		
Tier 1 cities	68	60
Tier 2 cities	104	101
Tier 3 cities and below	<u>5</u>	<u>3</u>
Subtotal	<u>177</u>	<u>164</u>
Other markets	<u>14</u>	<u>8</u>
Total	<u><u>193</u></u>	<u><u>172</u></u>
Same-store sales (in RMB million)		
Tier 1 cities	262.9	445.0
Tier 2 cities	332.9	568.2
Tier 3 cities and below	<u>12.0</u>	<u>22.1</u>
Subtotal	<u>607.8</u>	<u>1,035.4</u>
Other markets	<u>143.0</u>	<u>282.5</u>
Total	<u><u>750.8</u></u>	<u><u>1,317.8</u></u>
Same-store sales growth (%)		
Tier 1 cities	(40.9)	18.8
Tier 2 cities	(41.4)	(4.1)
Tier 3 cities and below	<u>(45.6)</u>	<u>(15.3)</u>
Subtotal	<u>(41.3)</u>	<u>4.9</u>
Other markets	<u>(49.4)</u>	<u>70.5</u>
Total	<u><u>(43.0)</u></u>	<u><u>8.9</u></u>

* Including restaurants that commenced operations prior to the beginning of the periods under comparison.

OUTLOOK

Company Outlook

2024 is a year of opportunities and challenges. During the Reporting Period, in addition to strictly controlling various expenditures to maintain an appropriate capital position, the Group has introduced a series of operational management initiatives, including (i) the implementation of the brand visual improvement program, with the Xiabuxiabu brand re-planning focusing on the concept of “home” and moving towards a topical, youthful and fashionable brand packaging upgrade direction to increase consumer loyalty; (ii) continuously leveraging on the traffic dividend from online platforms such as TikTok to strengthen brand image and reputation; (iii) rapidly expanding the service coverage of its delivery business, launching new delivery products with high click-through rate to capture the snack and cooked food market, and actively expanding e-commerce collaborations to attract traffic; and (iv) persistently promoting the privilege membership business, which has brought benefits to consumers and provided strong momentum for the Group’s performance growth.

Xiabuxiabu focuses on strengthening its membership development strategy to enhance members’ loyalty to the Xiabu brand. The membership strategy is launched in four directions: privilege membership promotion, new membership development, focusing on existing members, platform operations & business cooperation to further promote its sale of all-you-can-eat card. The Group will implement brand customer traffic enhancement projects to increase customer traffic in restaurants. Through the implementation of the brand visual improvement (including logo, product promotion materials, packaging materials, etc.) plan, the brand image is redefined to highlight the feeling of “home”, moving towards a topical, youthful, and fashionable brand packaging upgrade direction. The new restaurants focus on lightweight design, prioritizing design over decoration. Future restaurant openings will be more stable, primarily targeting tier 1 markets. The Group rapidly expands the service coverage of its delivery business, launches a series of new delivery products such as Teriyaki Beef Rice and Tomato Fried Pork and Beef Hotpot, to capture the snack and cooked food market, and actively expands e-commerce collaborations to attract traffic. The Group actively expands co-branded IP business to increase brand exposure and influence. As a supplement to the main business, tea beverages are planned to be gradually introduced in the second half of the year with new products that cater to the public’s taste, thereby driving continuous growth in the tea beverage business. The Group continuously optimizes the business model, gradually withdraws large-scale restaurants from old commercial areas, and has decided to close restaurants that no longer match its brand positioning due to the deterioration of previously high-quality commercial entities caused by changes in the macroeconomic environment, to achieve the goal of full restaurants profitability in the second half of 2024.

Since the second quarter of 2024, Coucou has been launching a series of new products, including two new soup base flavors – Konbu Bonito Hotpot and Litsea Red Sour Soup Hotpot. At the same time, several new tea beverages flavors will be added to the tea beverage category as a supplement to the overall menu, providing customers with more variety of choices. Leveraging the brand’s 8th anniversary, we conducted large-scale live streaming activities on the online platform for the first time, using emerging channels to expand brand influence and promotion scope. Meanwhile, we launched exclusive activities targeting university students, aiming to explore new markets and attract young customers. In response to the relatively weaker weekday lunch market for hotpot, Coucou also launched a new weekday lunch set meal in May 2024, focusing on value for money and quick serving to meet the lunch needs of office workers. In the second half of 2024, Coucou will continue to introduce new soup base flavors and various dishes, and strive to enhance the quality and diversity of meat dishes, focusing on the development of Wagyu series products, Inner Mongolia Ujumqin lamb series products, and high-value fresh seafood series products. In addition to the comprehensive improvement of the quality, variety, and taste of the dishes, Coucou will continue to introduce the brand’s highlights and features to new and old customers through online and offline channels in the second half of the year, and will focus more on creating customised discounts for members with the help of the Group’s membership system.

The Group continues to optimise the premium members all-you-can-eat card programme in 2024, completing cards sale of over RMB140 million in the first half of 2024. The average daily card sales per restaurant increased from 2.9 cards in 2023 to 5.2 cards, representing an increase of 1.8x. At the same time, since the major upgrade on 20 May 2024, the growth rate of card sales has been rapid, and increased from an average of 80,000 cards per month to 240,000 cards per month, representing an increase of 3x, gaining more consumer recognition. Premium members drove consumption of RMB540 million during this period, with an average consumption amount of RMB432, and a consumption frequency of 4.9 times, representing an increase of 2.7x as compared to 1.8 times for ordinary members, providing strong support for the Group’s customer loyalty and subsequent growth.

Looking ahead, the Group will continue to implement the following strategies:

- Continuously deepen the membership loyalty programme: the Group will continue to enhance the value of membership and enrich exclusive benefits of member through multi-brand linkage and online-offline integration in the second half of the year. The Group will continue to deepen the membership system, utilize digital means for marketing development and make full of key areas to drive overall improvement, enhancing and optimizing the frequency of reach. By virtue of membership activities such as the upgrade of the all-you-can-eat card and additional special value storage, the Group will further drive customer participation and repeat purchases and enhance member activity and loyalty. Meanwhile, in order to better serve overseas members, the Group will strengthen overseas market research and formulate localisation strategies, plan to launch a global APP, establish the exclusive barriers for Xiabuxiabu Group, and create a global member integration system, thereby providing new support for enhancing the global brand influence of Xiabuxiabu Group.

- Continue to execute the “expansion into the East and entering the South” strategic plan: centering on the second headquarter in Shanghai, the restaurants expansion model has been validated. The sustainable high table turnover rate has consolidated the Group’s business in coastal cities and tier one cities in Yangtze River Delta, Greater Bay Area, etc., and further developed our presence in new tier 1 and tier 2 markets.
- Adhere to quality and cost control: the Group selects lamb meat from the Ujimqin grassland in Inner Mongolia to offer a richer and more delicious product selection to both new and returning customers at the restaurants as part of its high-end product line trial. At the same time, the Group’s Phase III research and development center was put into use at the end of July, which will further enhance the synergy of various modules within the Group’s supply chain, reduce costs and increase efficiency, and deliver high-quality ingredients to subsidiary restaurants at a faster speed. Going forward, the hot pot base processing plants in Tianjin invested by the Group will also be put into production in 2025. The Group will actively expand its business channels to provide more high-quality consumption choices for a wide range of consumers.
- Enhance the brand’s exposure internationally: Xiabuxiabu Group opened its first Coucou restaurant in Taiwan on 25 June 2024. In marketing activities, we also expanded the business through online channels such as delivery platforms to meet the diverse needs of local consumers. We conducted in-depth research on the tastes of consumers in different regions, developed new products suitable for local consumers, and enhanced connection with local consumers through customized flavors. By posting brand information, food pictures, and promotional activities on platforms like Facebook and Instagram, we attracted the attention and participation of local consumers, enhancing brand exposure and interactivity.

Business Outlook

According to the data released by the National Bureau of Statistics, the gross domestic product (“GDP”) in the first half of 2024 increased by 5.0% period-to-period, and the growth rate for the second quarter decreased by 0.6 percentage points than that of the first quarter. On a quarterly basis, GDP grew by 5.3% period-to-period in the first quarter and 4.7% in the second quarter. The State Council issued the “Opinions on Promoting High-quality Development of Service Consumption” on 3 August 2024, which pointed out that it is necessary to accelerate the construction of a new development pattern, coordinate the expansion of domestic demand and deepen supply-side structural reform, expand the opening up of the service industry, focus on improving service quality, enriching consumption scenarios, optimizing the consumption environment, stimulate the endogenous momentum of service consumption through innovation, and cultivate new growth points for service consumption. Among them, the key task is to “explore the basic consumption potential in catering and accommodation, domestic services, elderly care and childcare”. The catering industry, despite currently facing weak consumption, consumption downgrade and intense competition, is still expected to show an upward trend in the future.

2024 Industry Outlook

2024 is a year full of possibilities and challenges.

According to the data released by the National Bureau of Statistics, national catering revenue in the first half of 2024 was RMB2,624.3 billion, representing a period-to-period increase of 7.9%; the revenue of catering enterprises above the designated size was RMB719.2 billion, representing a period-to-period increase of 5.6%. This year, a series of national policies to expand domestic demand and promote consumption have continued to take effect, unleashing consumption potential, with a good growth trend in service consumption. At the same time, the holiday economy in the first half of the year led to a better development of related industries, showing a peak in catering consumption. However, despite the steady growth in industry revenue, the catering industry is still facing serious problems such as “increasing revenue without increasing profit” and “excessive operational pressure”.

In the first half of 2024, the competition within the catering industry intensified, with activities such as price reduction and promotion and group purchase discount packages. At the same time, rent, labor costs and ingredients costs are continuously rising, further squeezing the profit margins of catering enterprises and greatly increasing operational pressure. Consumers are more rational and cautious about dining consumption. From the perspective of per capita consumption, the per capita consumption in the catering industry also showed a declining trend in recent years. Xiabuxiabu adapts to the consumption demand of the times, always adhering to a consumer-centric approach, proactively lowering prices while adhering to quality, continuously strengthens product innovation, actively expands take-away channels, and consolidates the supply chain, thereby establishing new quality productivity for future high-quality development.

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) for the six months ended 30 June 2023 and for the six months ended 30 June 2024:

	For the six months ended 30 June				Period-
	2024		2023		to-period
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	change
(Unaudited)		(Unaudited)		%	
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	2,394,528	100.0	2,846,121	100.0	(15.9)
Other income	21,266	0.9	85,897	3.0	(75.2)
Raw materials and consumables used	(827,496)	(34.6)	(1,064,965)	(37.4)	(22.3)
Staff costs	(814,137)	(34.0)	(929,911)	(32.7)	(12.5)
Property rentals and related expenses	(159,655)	(6.7)	(138,763)	(4.9)	15.1
Utilities expenses	(90,066)	(3.8)	(98,607)	(3.5)	(8.7)
Depreciation and amortization	(399,790)	(16.7)	(445,745)	(15.7)	(10.3)
Other expenses	(185,428)	(7.7)	(194,683)	(6.8)	(4.8)
Other gains and losses	(161,648)	(6.8)	(8,760)	(0.3)	1,745.3
Finance costs	(44,574)	(1.9)	(43,546)	(1.5)	2.4
(Loss) profit before tax	(267,000)	(11.2)	7,038	0.2	(3,893.7)
Income tax expense	(6,666)	(0.3)	(4,918)	(0.2)	35.5
(Loss) profit for the period	(273,666)	(11.4)	2,120	0.1	(13,008.8)
Total comprehensive (expense) income for the period	(273,666)	(11.4)	2,120	0.1	(13,008.8)
(Loss) profit for the period attributable to:					
Owners of the Company	(272,820)	(11.4)	2,406	0.1	(11,439.2)
Non-controlling interest	(846)	(0.0)	(286)	(0.0)	195.8
	(273,666)	(11.4)	2,120	0.1	(13,008.8)
Total comprehensive (expense) income attributable to:					
Owners of the Company	(272,820)	(11.4)	2,406	0.1	(11,439.2)
Non-controlling interest	(846)	(0.0)	(286)	(0.0)	195.8
	(273,666)	(11.4)	2,120	0.1	(13,008.8)
(Loss) earnings per share					
– Basic (RMB cents per Share)	(26.22)		0.23		
– Diluted (RMB cents per Share)	(26.22)		0.23		

Revenue

The Group's revenue decreased by 15.9% from RMB2,846.1 million for the six months ended 30 June 2023 to RMB2,394.5 million for the Reporting Period, which was due to the intense homogenized competition within the industry and consumption downgrade, leading to the general year-on-year decrease in the revenue of the catering industry in the first half of 2024. Although the revenue was affected by the macro environment, the Group remains positive and optimistic about the development of the catering market. In the first half of 2024, the Group opened 41 new Xiabuxiabu restaurants and 11 new Coucou restaurants worldwide to strengthen its restaurant network. At the same time, in order to adapt to consumption trends, the Group proactively adjusted the prices of some dishes, and the promotional results were good. As a result, the revenue generated from Xiabuxiabu decreased by 4.6% from RMB1,377.0 million for the six months ended 30 June 2023 to RMB1,313.1 million for the Reporting Period; and the revenue contributed by Coucou decreased by 28.3% from RMB1,401.5 million for the six months ended 30 June 2023 to RMB1,004.5 million for the Reporting Period. The sales revenue of condiment products increased by 0.4% from RMB44.8 million for the six months ended 30 June 2023 to RMB45.0 million for the Reporting Period, with the overall trend remaining stable.

Other income

The Group's other income decreased by RMB64.6 million from RMB85.9 million for the six months ended 30 June 2023 to RMB21.3 million for the Reporting Period, which was mainly due to higher subsidies obtained in the same period last year because of the additional tax credit of value-added tax, which ended at the end of 2023.

Raw materials and consumables

Benefiting from the increase in the number of strategic suppliers and the advantage of centralised procurement, the Group's cost of raw materials and consumables as a percentage of the Group's revenue decreased from 37.4% in the first half of 2023 by RMB237.5 million to 34.6% during the Reporting Period, which effectively reduced the average procurement unit price.

Staff costs

During the Reporting Period, the rates of various expenses including staff costs, property rentals, and utilities expenses were all higher than those for the six months ended 30 June 2023, which was mainly due to the decrease in revenue during the Reporting Period.

The Group's staff cost decreased by 12.5% from RMB929.9 million for the six months ended 30 June 2023 to RMB814.1 million for the Reporting Period, which was mainly due to the Company's store layout adjustment, resulting in the closure of some loss-making stores. As of 30 June 2024, the number of stores decreased by a net of 22 compared to 30 June 2023. The number of employees decreased from 29,258 as of 30 June 2023 to 24,606 as of 30 June 2024. Therefore, the overall staff cost decreased. As a percentage of the Group's revenue, staff costs increased from 32.7% in the first half of 2023 to 34.0% in the first half of 2024, due to (i) timely adjustments in the organization with the reduction of contract workers; and (ii) the human resource reserves for key positions.

Property rentals and related expenses

The Group's property rentals and related expenses increased by 15.1% from RMB138.8 million for the six months ended 30 June 2023 to RMB159.7 million for the Reporting Period due to (i) the reduction in property fee concessions negotiated with malls after the end of the pandemic-related rent-free periods; (ii) the general annual increase in property fee for operating stores; and (iii) the higher proportion of variable rents in malls compared to the previous year. The Group's property rentals and related expenses as a percentage of the Group's revenue has increased from 4.9% in the first half of 2023 to 6.7% in the Reporting Period.

Utilities expenses

The Group's utilities expenses decreased by 8.7% from RMB98.6 million for the six months ended 30 June 2023 to RMB90.1 million for the Reporting Period, which was mainly attributable to (i) during the Reporting Period, the number of stores in the first half of the year decreased by 22 compared to the same period last year; and (ii) a decline in same-store revenue during the Reporting Period. During the Reporting Period, utilities expenses as a percentage of the Group's revenue was at 3.8%, representing a slight increase compared to the corresponding period last year.

Depreciation and amortization

The Group's depreciation and amortization decreased by 10.3% from RMB445.7 million for the six months ended 30 June 2023 to RMB399.8 million for the Reporting Period, primarily due to (i) the closure of 48 Xiabuxiabu outlets, 23 Coucou outlets and 7 Shaohot outlets in the first half of 2024; (ii) the increased efforts to utilize old resources; and (iii) impairment of right-of-use assets related to leases and property, plant and equipment in previous years, which reduced the depreciation amount for the current period. As a percentage of the Group's revenue, depreciation and amortization increased slightly from 15.7% in the first half of 2023 to 16.7% in the first half of 2024.

Other expenses

The Group's other expenses decreased by RMB9.3 million or 4.8% from RMB194.7 million for the six months ended 30 June 2023 to RMB185.4 million for the Reporting Period, due to (i) optimization of the supply chain, resulting in a decrease in the logistics costs; (ii) the establishment of good cooperative relationships with maintenance service providers; and (iii) the use of warranty services and insurance to effectively reduce maintenance costs. The Group's continuous refined control and management of operating costs has led to an overall downward trend in expenses.

Other gains and losses

The Group recognized other net losses of RMB161.6 million for the Reporting Period as compared to other net losses of RMB8.8 million for the six months ended 30 June 2023, mainly due to the fact that after prudently reviewing the expected closure and continued losses of restaurants, the Group made a provision for related impairment losses of approximately RMB203.0 million during the Reporting Period, compared to related impairment losses of RMB33.7 million in the previous year (as detailed in note 7 to the condensed consolidated financial statements).

Finance costs

The Group recorded finance costs of RMB44.6 million for the Reporting Period, mainly derived from interest on lease liabilities of RMB35.9 million.

(Loss) profit before tax

Due to the above factors, the Group's performance for the first half of 2024 was in a loss state. During the Reporting Period, the Group recorded a pre-tax loss of RMB267.0 million, while the pre-tax profit for the six months ended 30 June 2023 was RMB7.0 million.

Income tax expense

During the Reporting Period, the Group incurred RMB6.7 million in income tax expense, while the income tax expense for the six months ended 30 June 2023 was RMB4.9 million. This mainly resulted from (i) profits of certain subsidiaries; and (ii) a decrease of RMB3.5 million in net deferred income tax assets of certain subsidiaries as at 30 June 2024 as compared to the corresponding period in 2023.

(Loss) profit for the period attributable to owners of the Company

Due to the combined effects of the above factors, the Group recorded a turnaround from profit attributable to the owners of the Company of RMB2.4 million for the first half of 2023 to a loss attributable to owners of the Company of RMB272.8 million for the Reporting Period. The main reason for such turnaround from profit to loss was primarily due to (i) signs of impairment in the stores, for which in accordance with the requirements of accounting prudence, a provision of approximately RMB203.0 million was made for an impairment loss of restaurants that are expected to be closed and continue to be loss-making in the first half of 2024; and (ii) a decline in store revenue compared to the same period in 2023.

Liquidity and capital resources

For the six months ended 30 June 2024, the Group financed its operations primarily through cash from the Group's operations. The Group intends to finance its expansion and business operations through organic and sustainable growth as well as bank financing.

Bank balances and cash

As at 30 June 2024, the Group had cash and cash equivalents of RMB310.0 million (31 December 2023: RMB129.4 million), which primarily consisted of cash on hand and demand deposits and which were mainly denominated in Renminbi as to 90.4%, Hong Kong dollars as to 4.4%, US dollars as to 0.2%, Singapore dollars as to 2.7% and New Taiwan dollars as to 2.3%.

On the other hand, the Group also held balance of financial assets amounting to RMB520.5 million as at 30 June 2024 (as detailed in note 16 to the condensed consolidated financial statements as well as the description below).

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.

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

As at 30 June 2024, the Group had financial assets at FVTPL which amounted to RMB520.5 million in aggregate, which mainly represented financial products (the “**Financial Products**”) issued by Fubon Bank (China) Co., Ltd., China Galaxy Securities Co., Ltd., China International Capital Corporation Wealth Management*, Cofco Trust* and China CITIC Bank Corporation Limited (collectively, the “**Investment Fund Companies**”), which are investments with no predetermined or guaranteed return and are not principal protected, with expected annual return rates ranging from 1.9% to 4.8%. Two of the Financial Products, with a principal amount of RMB137.6 million, are classified as non-current assets due to their maturity date in 2028. The amount redeemed from the Financial Products was recorded as gain from changes in fair value of financial assets designated as financial assets at FVTPL, which amounted to approximately RMB17.3 million as at 30 June 2024.

The Group generally subscribed for the financial products on a revolving basis, which means that the Group would subscribe for additional financial products when the terms of certain financial products previously subscribed for by the Company expired. Subscriptions of financial products were made for treasury management purpose to maximize the return on the unutilized funds of the Group after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Group would select 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 Group 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 and the Company had fully recovered the principal and received the expected returns upon the redemption or maturity of similar financial products subscribed in the past.

In view of an upside of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend of the Financial Products, the Directors are of the view that the Financial Products pose relatively low 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.

There was no single financial product in the Group’s investment portfolio that has a carrying amount accounting for more than 5% of the Group’s total assets as at 30 June 2024.

* *For identification purpose only*

The Group purchased additional financial products with an aggregate principal amount of RMB348.7 million from 1 July 2024 up to the date of this announcement and which remained outstanding as at the date of this announcement. None of these subscriptions, individually or collectively (if required to be aggregated), constitutes a notifiable transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Indebtedness

As at 30 June 2024, the Group had short term borrowing (including liabilities under discounted bills, or any covenant in connection thereof) of RMB378.7 million (31 December 2023: RMB248.6 million) which were denominated in RMB and carried fixed interest rates ranging from 1.42% to 4.5% and were expected to mature within one year.

Gearing ratio

As at 30 June 2024, the Group’s gearing ratio was 39.1%. 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 RMB140.9 million during the Reporting Period in connection with new restaurants opening and re-decoration and furnishing of existing restaurants. For the six months ended 30 June 2023, the Group made payment for the capital expenditure of RMB264.9 million. The Group’s capital expenditure in the first half of 2024 was funded primarily by cash generated from its operating activities. In the first half of 2024, the Group opened a total of 52 new restaurants.

Pledge of assets

As at 30 June 2024, except for the fixed assets with a net book value of RMB12.8 million pledged for short-term borrowings, the Company had no other pledged assets.

Contingent liabilities and guarantees

As at 30 June 2024, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Significant investments held, material acquisitions and future plans for major investment

During the Reporting Period, the Group did not conduct any material investments, acquisitions or disposals of subsidiaries, associates and joint ventures. The Group has no significant investments held and specific future 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 remuneration policies

As at 30 June 2024, the Group had a total of 24,606 employees (31 December 2023: 28,665), of which 193 employees worked at the Group's food processing facilities and warehouse logistics, 2,685 were restaurant management staff, 20,570 were restaurant service staff and 1,158 were operation management and administrative staff.

The Group offers competitive wages and other benefits to the Group's restaurant employees to manage employee attrition. The Group also offers training programs tailored to specific needs of career development of the Group's employees. Discretionary performance bonus is also offered as a further incentive to the Group's restaurant staff when certain performance targets are 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 Reporting Period, the total staff cost of the Group (including salaries, bonuses, social insurances, provident funds and share incentive schemes) amounted to RMB814.1 million (30 June 2023: RMB929.9 million), representing approximately 34.0% of the total revenue of the Group.

FINANCIAL RESULTS

The financial information set out below in this announcement represents an extract from the condensed consolidated financial statements, which is unaudited but has been reviewed by the Company's independent auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and by the audit committee of the Company (the "Audit Committee").

FINANCIAL INFORMATION

The condensed consolidated results of the Group for the six months ended 30 June 2024 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	For the six months ended 30 June	
		2024	2023
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue	3	2,394,528	2,846,121
Other income	5	21,266	85,897
Raw materials and consumables used		(827,496)	(1,064,965)
Staff costs		(814,137)	(929,911)
Property rentals and related expenses		(159,655)	(138,763)
Utilities expenses		(90,066)	(98,607)
Depreciation and amortization		(399,790)	(445,745)
Other expenses	6	(185,428)	(194,683)
Other gains and losses	7	(161,648)	(8,760)
Finance costs	8	(44,574)	(43,546)
(Loss) profit before tax	9	(267,000)	7,038
Income tax expense	10	(6,666)	(4,918)
(Loss) profit for the period		(273,666)	2,120
Total comprehensive (expense) income for the period		(273,666)	2,120
(Loss) profit for the period attributable to:			
Owners of the Company		(272,820)	2,406
Non-controlling interest		(846)	(286)
		(273,666)	2,120
Total comprehensive (expense) income attributable to:			
Owners of the Company		(272,820)	2,406
Non-controlling interest		(846)	(286)
		(273,666)	2,120
(Loss) earnings per share			
– Basic (RMB cents per share)	12	(26.22)	0.23
– Diluted (RMB cents per share)	12	(26.22)	0.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	<u>RMB'000</u> (Unaudited)	<u>RMB'000</u> (Audited)
Non-current assets			
Property, plant and equipment	13	702,715	894,362
Right-of-use assets	13	964,345	1,254,041
Intangible assets		7,491	6,602
Deferred tax assets		3,923	8,864
Rental deposits		160,624	185,395
Financial assets at fair value through profit or loss (“FVTPL”)	16	137,555	127,253
Interest in a joint venture		100,138	100,164
		<u>2,076,791</u>	<u>2,576,681</u>
Current assets			
Inventories	14	254,097	345,542
Trade and other receivables and prepayments	15	381,657	394,255
Financial assets at FVTPL	16	382,946	526,741
Restricted bank balances		160,839	143,686
Bank balances and cash		310,032	129,366
		<u>1,489,571</u>	<u>1,539,590</u>
Current liabilities			
Trade payables	17	249,798	269,114
Accrual and other payables		485,772	557,524
Lease liabilities	18	220,378	379,035
Income tax payables		9,804	14,065
Borrowings	19	378,656	248,580
Contract liability	20	401,748	415,577
Deferred income		910	910
		<u>1,747,066</u>	<u>1,884,805</u>
Net current liabilities		<u>(257,495)</u>	<u>(345,215)</u>
Total assets less current liabilities		<u>1,819,296</u>	<u>2,231,466</u>
Non-current liabilities			
Deferred income		5,460	5,915
Lease liabilities	18	785,780	894,024
Provisions		60,159	61,599
		<u>851,399</u>	<u>961,538</u>
Net assets		<u>967,897</u>	<u>1,269,928</u>
Capital and reserves			
Share capital		176	176
Share premium and reserves		899,968	1,201,153
Equity attributable to owners of the Company		<u>900,144</u>	<u>1,201,329</u>
Non-controlling interest		67,753	68,599
Total equity		<u>967,897</u>	<u>1,269,928</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Share Capital	Share premium	Equity- settled share- based payments reserve	Statutory surplus reserve	Treasury share reserve	Retained earnings	Subtotal	Non- controlling interest	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Balance at 1 January 2024 (Audited)	176	307,887	8,477	61,674	(158,477)	981,592	1,201,329	68,599	1,269,928
Loss for the period	-	-	-	-	-	(272,820)	(272,820)	(846)	(273,666)
Total comprehensive expense for the period	-	-	-	-	-	(272,820)	(272,820)	(846)	(273,666)
Recognition of equity-settled share-based payments	-	-	2,002	-	-	-	2,002	-	2,002
Exercise of Restricted Share Unit (“RSU”)	-	2,639	(5,422)	-	2,783	-	-	-	-
Payments of dividends (Note 11)	-	(30,367)	-	-	-	-	(30,367)	-	(30,367)
Balance at 30 June 2024 (Unaudited)	176	280,159	5,057	61,674	(155,694)	708,772	900,144	67,753	967,897
Balance at 1 January 2023 (Audited)	176	364,321	12,608	49,480	(161,994)	1,193,252	1,457,843	63,578	1,521,421
Profit(loss) for the period	-	-	-	-	-	2,406	2,406	(286)	2,120
Total comprehensive income(expense) for the period	-	-	-	-	-	2,406	2,406	(286)	2,120
Recognition of equity-settled share-based payments	-	-	1,476	-	-	-	1,476	-	1,476
Exercise of RSU	-	3,566	(7,083)	-	3,517	-	-	-	-
Payments of dividends (Note 11)	-	(30,000)	-	-	-	-	(30,000)	-	(30,000)
Balance at 30 June 2023 (Unaudited)	176	337,887	7,001	49,480	(158,477)	1,195,658	1,431,725	63,292	1,495,017

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	For six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	371,657	544,394
Cash flows from investing activities		
Interests income received	5,407	4,889
Purchase of financial assets at FVTPL	(971,000)	(837,443)
Proceeds from disposal of financial assets at FVTPL	1,121,792	720,100
Purchases of property, plant and equipment	(140,934)	(264,939)
Capital injection in a joint venture	–	(51,000)
Payments for right-of-use assets	(3,111)	(2,152)
Utilisation of provisions	(4,819)	(1,406)
Payments for rental deposits	(588)	(16,801)
Proceeds from disposal of property, plant and equipment	27,809	38,631
Purchase of intangible assets	(1,736)	(842)
Placement of restricted bank balances	(89,291)	(84,154)
Withdrawal of restricted bank balances	72,138	48,235
Net cash from (used in) investing activities	15,667	(446,882)
Cash flow from financing activities		
Dividend paid	(30,367)	(30,000)
Repayments of borrowings	(146,580)	(11,072)
Repayments of leases liabilities	(298,794)	(337,349)
New bank borrowings raised	276,656	160,268
Interest paid	(7,420)	(5,828)
Net cash used in financing activities	(206,505)	(223,981)
Net increase increase (decrease) in cash and cash equivalents	180,819	(126,469)
Cash and cash equivalents at the beginning of the period	129,366	300,706
Effect of foreign exchange rate changes, net	(153)	1,468
Cash and cash equivalents at the end of the period represented by bank balances and cash	310,032	175,705

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (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 Standards Board (“**IASB**”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence after taking into account of the future 12 months cash flow forecast and the unused banking facilities of the Group amounting to RMB353 million to meet their financial obligations in the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. 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 values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

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

	For the six months ended 30 June 2024			
	<u>Xiabuxiabu</u>	<u>Coucou</u>	<u>Others</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Types of goods or service				
Restaurant operations	1,312,510	1,004,462	–	2,316,972
Sales of condiment products	–	–	44,985	44,985
Sales of other goods	639	15	31,917	32,571
	<u>1,313,149</u>	<u>1,004,477</u>	<u>76,902</u>	<u>2,394,528</u>
Geographical markets				
Mainland China	1,308,696	845,321	76,902	2,230,919
Other markets	4,453	159,156	–	163,609
	<u>1,313,149</u>	<u>1,004,477</u>	<u>76,902</u>	<u>2,394,528</u>

3. REVENUE (Continued)

	For the six months ended 30 June 2023			
	Xiabuxiabu	Coucou	Others	Total
	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Types of goods or service				
Restaurant operations	1,375,915	1,401,507	–	2,777,422
Sales of condiment products	–	–	44,795	44,795
Sales of other goods	1,062	34	22,808	23,904
Total	<u>1,376,977</u>	<u>1,401,541</u>	<u>67,603</u>	<u>2,846,121</u>
Geographical markets				
Mainland China	1,375,806	1,246,576	67,603	2,689,985
Other markets	1,171	154,965	–	156,136
Total	<u>1,376,977</u>	<u>1,401,541</u>	<u>67,603</u>	<u>2,846,121</u>

4. OPERATING SEGMENTS

Information reported to the executive directors of the Company, being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

- Xiabuxiabu: restaurant operation and related service under brand name of “Xiabuxiabu”.
- Coucou: restaurant operation and related service under brand name of “Coucou”.

In addition to the above reportable segments, other operating segments include operation of the condiment products and other goods that were not sold out by Xiabuxiabu restaurants or Coucou restaurants. None of these segments met the quantitative thresholds for the reportable segments in both current and prior periods. Accordingly, they were grouped in “Others”. In addition, included in “Others” is a procurement function which centrally purchases raw materials and consumables and sell to Xiabuxiabu and Coucou restaurants.

4. OPERATING SEGMENTS (Continued)

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

Six months ended 30 June 2024

	Xiabuxiabu	Coucou	Total reportable segments	Others	Adjustments and eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE						
External sales	1,313,149	1,004,477	2,317,626	76,902	-	2,394,528
Inter-segment sales	-	-	-	1,592,091	(1,592,091)	-
Segment results (Note)	<u>1,313,149</u>	<u>1,004,477</u>	<u>2,317,626</u>	<u>1,668,993</u>	<u>(1,592,091)</u>	<u>2,394,528</u>
Segment results	<u>61,758</u>	<u>(78,924)</u>	<u>(17,166)</u>	<u>(15,750)</u>	-	<u>(32,916)</u>
Impairment loss on property, plant and equipment	(33,246)	(77,471)	(110,717)	-	-	(110,717)
Impairment loss on right-of-use assets	(26,681)	(44,414)	(71,095)	-	-	(71,095)
Impairment loss on rental deposit	(7,437)	(13,786)	(21,223)	-	-	(21,223)
Reversal of impairment loss on other receivables	-	-	-	1,775	-	1,775
Loss on closure of restaurants	(3,923)	(3,385)	(7,308)	-	-	(7,308)
Gain from changes in fair value of financial assets at FVTPL	15,093	-	15,093	2,206	-	17,299
(Loss) gain on disposal of property, plant and equipment, net	(486)	96	(390)	(62)	-	(452)
Interest on bank borrowings	(1,018)	(1,112)	(2,130)	(5,290)	-	(7,420)
Segment profit (loss)	<u>4,060</u>	<u>(218,996)</u>	<u>(214,936)</u>	<u>(17,121)</u>	-	<u>(232,057)</u>
Unallocated central administration costs						(32,891)
Unallocated directors' emoluments						(2,052)
Loss before tax						<u>(267,000)</u>

Other segment information

Amounts included in the measure of segment results:

	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated costs	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortization	(234,801)	(163,991)	(398,792)	(460)	(538)	(399,790)
Gain on termination of leases	5,334	-	5,334	-	-	5,334
Gain on reassessment of lease liabilities	11,604	12,769	24,373	-	-	24,373
Finance costs (excluding interest on bank borrowings)	<u>(25,321)</u>	<u>(11,727)</u>	<u>(37,048)</u>	<u>(106)</u>	-	<u>(37,154)</u>

4. OPERATING SEGMENTS (Continued)

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

Six months ended 30 June 2023

	Xiabuxiabu	Coucou	Total reportable segments	Others	Adjustments and eliminations	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
SEGMENT REVENUE						
External sales	1,376,977	1,401,541	2,778,518	67,603	–	2,846,121
Inter-segment sales	–	–	–	1,282,287	(1,282,287)	–
	<u>1,376,977</u>	<u>1,401,541</u>	<u>2,778,518</u>	<u>1,349,890</u>	<u>(1,282,287)</u>	<u>2,846,121</u>
Segment results	<u>95,209</u>	<u>(33,147)</u>	<u>62,062</u>	<u>701</u>	<u>–</u>	<u>62,763</u>
Impairment loss on property, plant and equipment	(266)	(15,240)	(15,506)	–	–	(15,506)
Impairment loss on right-of-use assets	(6,244)	(9,804)	(16,048)	–	–	(16,048)
Impairment loss on rental deposit	(3,842)	1,667	(2,175)	–	–	(2,175)
Loss on closure of restaurants	(451)	(136)	(587)	–	–	(587)
Gain from changes in fair value of financial assets at FVTPL	22,782	–	22,782	106	–	22,888
Gain (loss) on disposal of property, plant and equipment, net	327	27	354	(917)	–	(563)
Interest on bank borrowings	(2,231)	(1,133)	(3,364)	(2,464)	–	(5,828)
Segment profit (loss)	<u>105,284</u>	<u>(57,766)</u>	<u>47,518</u>	<u>(2,574)</u>	<u>–</u>	<u>44,944</u>
Unallocated central administration costs						(34,592)
Unallocated directors' emoluments						(3,314)
Profit before tax						<u>7,038</u>

Other segment information

Amounts included in the measure of segment results:

	Xiabuxiabu	Coucou	Total reportable segments	Others	Unallocated costs	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation and amortization	(244,464)	(197,768)	(442,232)	(2,975)	(538)	(445,745)
Gain on termination of leases	4,387	–	4,387	–	–	4,387
Gain on reassessment of lease liabilities	2,588	–	2,588	–	–	2,588
Finance costs (excluding interest on bank borrowings)	(22,556)	(14,960)	(37,516)	(202)	–	(37,718)

4. OPERATING SEGMENTS *(Continued)*

Note: The measure used for reporting segment result is the adjusted segment profit (loss) before (i) Certain gain or loss from changes in fair value of financial assets at FVTPL, (ii) Interest on bank borrowings, (iii) Impairment loss and disposal loss on non-current assets, (iv) Impairment loss on financial assets and (v) Loss on closure of restaurants.

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

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Continuing operations		
Xiabuxiabu	2,634,054	2,855,417
Coucou	785,770	986,348
Total reportable segment assets	3,419,824	3,841,765
	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Continuing operations		
Xiabuxiabu	2,029,830	2,048,453
Coucou	563,651	591,169
Total reportable segment liabilities	2,593,481	2,639,622

5. OTHER INCOME

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income on:		
– bank deposits	5,407	4,889
– rental deposits	2,907	3,100
	8,314	7,989
Additional tax deduction (<i>Note i</i>)	–	65,049
Government grant	4,151	455
	4,151	65,504
Delivery income for takeout orders	617	4,894
Sale of consumables	2,786	2,324
Others	5,398	5,186
	8,801	12,404
	21,266	85,897

Note i: The amounts represent the additional input value added tax deduction, pursuant to the announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs of the PRC, which became effective from 1 April 2019 onwards and expired on 31 December 2023.

6. OTHER EXPENSES

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Delivery service fee	33,756	32,035
Marketing expenses	29,492	31,306
Royalty expenses	24,053	21,147
Professional service fee	21,466	25,180
Logistics expenses	18,738	23,489
Travel and communication expenses	14,108	15,621
Office and administrative expenses	16,973	18,662
Maintenance fees	7,925	10,146
Others	18,917	17,097
	185,428	194,683

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment, net	(452)	(563)
Gain on termination of leases	5,334	4,387
Gain on reassessment of lease liabilities (<i>Note</i>)	24,373	2,588
Foreign exchange gain (loss), net	392	(3,560)
Loss on closure of restaurants	(7,308)	(587)
Reversal of impairment loss on other receivables	1,775	–
Impairment loss on rental deposit	(21,223)	(2,175)
Impairment loss on property, plant and equipment	(110,717)	(15,506)
Impairment loss on right-of-use assets	(71,095)	(16,048)
Gains from changes in fair value of financial assets at FVTPL	17,299	22,888
Others	(26)	(184)
	(161,648)	(8,760)

Note: For the restaurants that the Group plans to exercise the early termination option, the Group remeasures the lease liability to reflect changes to the lease payments and recognised the amount of the remeasurement of the lease liability as an adjustment to the right-of-use assets. However, for the leases that the carrying amount of the right-of-use assets is reduced to zero, the Group recognised the gain on remeasurement of lease liabilities in profit or loss amounted to RMB24,373,000 during the current interim period (six months ended 30 June 2023: RMB2,588,000).

8. FINANCE COSTS

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	35,887	36,451
Interest on bank borrowings	7,420	5,828
Interest on provisions	1,267	1,267
	44,574	43,546

9. (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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	249,274	270,880
Depreciation of property, plant and equipment	149,670	173,772
Amortization of intangible assets	846	1,093
Total depreciation and amortization	399,790	445,745
Operating lease rentals in respect of restaurants lease payments		
– variable lease payment (<i>Note</i>)	42,241	33,577
– short-term lease	26,936	21,715
– other rental expenses	90,478	83,471
Total property rentals and related expenses	159,655	138,763
Directors' emoluments	2,052	3,314
Other staff cost	812,085	926,597
Total staff cost	814,137	929,911

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

10. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Enterprise income tax (“EIT”)		
Current tax	1,725	3,519
Deferred tax	4,941	1,399
Total income tax recognised in profit or loss	<u>6,666</u>	<u>4,918</u>

Under the EIT Law, withholding tax is imposed on dividends declared and paid to non-PRC resident in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the accumulated undistributed profits of PRC subsidiaries amounting to RMB1,043 million as at 30 June 2024 (As at 31 December 2023: RMB1,312 million), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Dividends recognised as distributions during the period	<u>30,367</u>	<u>30,000</u>

On 5 June 2024, the Company declared a dividend of RMB0.028 (six months ended 30 June 2023: RMB0.028) per share with total dividends of RMB30,367,000 (six months ended 30 June 2023: RMB30,000,000) to shareholders for the year ended 31 December 2023. The dividend was paid in June 2024.

No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period.

12. (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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<i>(Loss) earnings for the purposes of calculating basic and diluted earnings per share</i>		
(Loss) earnings for the period attributable to owners of the Company	(272,820)	2,406

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	
	2024	2023
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	1,040,631	1,040,715
Effect of dilutive potential ordinary shares <i>(Note)</i>	N/A	235
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	1,040,631	1,040,950

Note: The calculation of diluted loss per share for the six months ended 30 June 2024 does not assume the exercise of the Company's share options and restricted shares since their exercise would result in a decrease in loss per share.

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

During the six months ended 30 June 2024, additions to the property, plant and equipment amounted to RMB97,002,000 (six months ended 30 June 2023: RMB298,051,000) 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 ranged from 1 to 5 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 date, the Group recognised right-of-use assets of RMB177,811,000 (six months ended 30 June 2023: RMB250,493,000) and lease liability of RMB171,595,000 (six months ended 30 June 2023: RMB239,389,000).

Impairment assessment

As at 30 June 2024, in view of the unfavourable future prospects of some restaurants, the management of the Group concluded there was an impairment indicator for relevant property, plant and equipment and right-of-use assets, with carrying amounts of RMB350,610,000 and RMB340,685,000 respectively (31 December 2023: RMB301,894,000 and RMB324,019,000), and conducted impairment assessment on the recoverable amounts. 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, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of each restaurant concerned 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 remaining lease term with a pre-tax discount rate ranging from 13.46% to 14.25% as at 30 June 2024 (30 June 2023: 12.40% to 13.18%) reflecting the specific risks relating to the relevant restaurants operated in different regions. The other key assumption for the value in use calculated is revenue annual growth rate which is determined based on historical performance and relevant operation plans.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of certain restaurants are lower than the carrying amount. The impairment loss has been recognised and allocated to relevant property, plant and equipment and right-of-use assets such that the carrying amount of each category of asset is not reduced below the highest of its fair value less cost of disposal, its value in use and zero. Based on the value in use calculation and the allocation, impairment loss of RMB110,717,000 (six months ended 30 June 2023: RMB27,314,000) and RMB71,095,000 (six months ended 30 June 2023: RMB27,915,000) before netting the reversal of impairment loss of nil (six months ended 30 June 2023: RMB11,808,000) and nil (six months ended 30 June 2023: RMB11,867,000), has been recognised against the carrying amount of property, plant and equipment and right-of-use assets, respectively.

14. INVENTORIES

	As at 30 June 2024	As at 31 December 2023
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Food and beverage	226,459	309,916
Other materials	21,758	25,638
Consumables	5,880	9,988
	<u>254,097</u>	<u>345,542</u>

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2024	As at 31 December 2023
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Trade receivables	45,679	69,842
Prepaid operating expenses	24,979	28,831
Prepayments to suppliers	1,163	302
Amounts prepaid to the RSU Trustee for purchase of ordinary shares (<i>Note 21</i>)	756	756
Input value-added tax recoverable	289,567	274,524
Other receivables	49,508	52,143
	411,652	426,398
<i>Less:</i> Allowance for credit losses	<u>(29,995)</u>	<u>(32,143)</u>
Total trade and other receivables and prepayments	<u>381,657</u>	<u>394,255</u>

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

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

The following is an analysis of trade receivables by age, presented based on the invoice dates:

	As at 30 June 2024	As at 31 December 2023
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Within 30 days	38,984	58,644
31 to 90 days	6,428	9,141
91 to 180 days	267	2,057
	<u>45,679</u>	<u>69,842</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset mandatorily measured at FVTPL:

	As at 30 June 2024	As at 31 December 2023
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Financial products <i>(Note)</i>	520,501	653,994
	<u>520,501</u>	<u>653,994</u>
Current	382,946	526,741
Non-current	137,555	127,253
	<u>520,501</u>	<u>653,994</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Note:

As at 30 June 2024, the Group's financial assets at FVTPL are the financial products issued by banks and investment fund companies which have with no predetermined or guaranteed return and no 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 and other financial assets.

The maturity date of the financial products classified as non-current asset are 13 July 2028 and 12 September 2028 (2023: 13 July 2028 and 12 September 2028).

Further details of the fair value measurements are disclosed in Note 24. The fair value change is recognised in the line items of other gains and losses.

17. 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 2024	As at 31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 60 days	240,001	260,926
61 to 180 days	5,150	3,675
181 to 1 year	889	4,513
Over 1 year	3,758	—
	<u>249,798</u>	<u>269,114</u>

18. LEASE LIABILITIES

	As at 30 June 2024	As at 31 December 2023
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Lease liabilities payable:		
Within one year	220,378	379,035
Within a period of more than one year but not exceeding two years	348,880	377,488
Within a period of more than two year but not exceeding five years	412,237	483,313
Within a period of more than five years	24,663	33,223
	1,006,158	1,273,059
<i>Less:</i> Amount due for settlement with 12 months shown under current liabilities	(220,378)	(379,035)
Amount due for settlement after 12 months shown under non-current liabilities	785,780	894,024

The weighted average incremental borrowing rates applied to lease liabilities range from 3.54% to 5.88% (As at 31 December 2023: from 3.60% to 5.88%).

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

	<u>SG Dollars</u>	<u>HK Dollars</u>	<u>US Dollars</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 30 June 2024 (Unaudited)	4,178	97,718	–
As at 31 December 2023 (Audited)	5,057	94,142	911

19. BORROWINGS

	As at 30 June 2024	As at 31 December 2023
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Unsecured	196,184	248,580
Secured (<i>Note</i>)	182,472	–
	<u>378,656</u>	<u>248,580</u>

As at 30 June 2024, the bank borrowings carry fixed interest rate from 1.42% to 4.50% (As at 31 December 2023: 1.70% to 4.50%) per annum.

Notes:

- (i) During the current interim period, the Group discounted inter-group bills receivables with recourse in an aggregate amount of RMB102,000,000 (As at 31 December 2023: Nil) to banks for short-term financing. As at 30 June 2024, the associated borrowings are amounting to RMB102,000,000 (As at 31 December 2023: Nil).
- (ii) As at 30 June 2024, the bank borrowings amounting to RMB39,997,000 (As at 31 December 2023: Nil) are guaranteed by a subsidiary of the Group and secured by certain property, plant and equipment with the carrying amount of RMB12,830,000.
- (iii) As at 30 June 2024, certain of the Group's short-term bank borrowings amounting to RMB40,475,000 are by the pledge of the Group's bank deposits.

20. CONTRACT LIABILITY

	As at 30 June 2024	As at 31 December 2023
	<u>RMB'000</u>	<u>RMB'000</u>
	(Unaudited)	(Audited)
Customer loyalty programme (<i>Note i</i>)	22,416	21,048
Prepaid cards and advance from customers (<i>Note ii</i>)	318,875	349,987
Privilege membership programs (<i>Note iii</i>)	60,457	44,542
	<u>401,748</u>	<u>415,577</u>

Notes:

- i. The contract liability of customer loyalty programme is recognised along with the restaurant services provided during each reporting period. As at 30 June 2024, the balance of RMB22,416,000 (as at 31 December 2023: RMB21,048,000) presents the unredeemed performance obligation relating to the customer loyalty programme.
- ii. The prepaid cards and advance from customers of the Group are refundable. However, no material refund was raised historically and the management of the Group expects the amounts to be refunded in the future reporting periods are insignificant.
- iii. The privilege membership programs offer privilege members rights to multiple benefits, such as discounts on certain products and assorted discount coupons with pre-defined quantities, consideration collected is allocated to the benefits provided based on their relative standalone selling price and revenue is recognised when food or services are delivered or the benefits expire. In determining the relative standalone selling price of the benefits, the Company considers likelihood of future redemption based on historical redemption pattern and reviews such estimates periodically based upon the latest available information regarding redemption and expiration patterns.

21. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(1) 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 the Directors, senior management and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of the Group.

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

i. Purchase of treasury share under the RSU Scheme

During the six months ended 30 June 2024 and the year ended 31 December 2023, 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.

As at 30 June 2024, an amount of RMB756,000 (as at 31 December 2023: RMB756,000) was held by the RSU Trustee to purchase ordinary shares from the market in the forthcoming period according to the instruction of the Company.

21. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(1) RESTRICTED SHARE UNIT SCHEME (Continued)

ii. Details of granted RSUs

RSUs tranche	Number of awarded shares	Grant date	Expiry date	Fair value at grant date <i>HKD</i>	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
RSUs tranche G	1,346,707	30/09/2020	30/09/2030	9.49	25% for each of 4 years after 01/04/2021
RSUs tranche H	4,407,078	30/09/2020	30/09/2030	9.49	25% for each of 4 years after 01/04/2022
RSUs tranche J	199,000	01/04/2023	01/04/2033	6.27	33.3% for each of 3 years after 01/04/2024
RSUs tranche K	732,331	01/04/2024	01/04/2034	1.45	33.3% for each of 3 years after 01/04/2025
RSUs tranche L	2,255,577	01/04/2024	01/04/2034	1.45	33.3% for each of 3 years after 01/04/2025

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 and the RSU would be forfeited when the staff resigned before the vesting day.

21. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(1) 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 2024 and outstanding as at 30 June 2024:

	Number of Awarded Shares				Outstanding at 30 June 2024
	Outstanding at 1 January 2024	Granted during the year	Exercised during the period	Forfeited during the period	
RSU tranches					
RSUs granted to					
Directors	962,351	–	(559,676)	–	402,675
Employees	317,814	2,987,908	(90,479)	(109,085)	3,106,158
Total	<u>1,280,165</u>	<u>2,987,908</u>	<u>(650,155)</u>	<u>(109,085)</u>	<u>3,508,833</u>

At the end of current 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 recognised in profit or loss, with a corresponding adjustment to the equity-settled share-based payments reserve.

The Group recognised the total expense of RMB2,002,000 for the period ended 30 June 2024 (six months ended 30 June 2023: RMB1,476,000) in relation to RSUs granted by the Company.

22. COMMITMENTS

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Capital expenditure contracted for but not provided in respect of acquisition of property, plant and equipment	<u>3,454</u>	<u>25,291</u>

23. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

<u>Relationship</u>	<u>Nature of transactions</u>	For the six months ended 30 June	
		<u>2024</u>	<u>2023</u>
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Related companies controlled by the Controlling Shareholder	Royalty expense	24,053	21,147
	Short-term lease expense	600	600
		<u> </u>	<u> </u>
<u>Relationship</u>	<u>Nature of balances</u>	As at 30 June 2024	As at 31 December 2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Related companies controlled by the Controlling Shareholder	Accrual and other payables	5,397	2,153
		<u> </u>	<u> </u>

The balances with these related parties are unsecured, interest-free and payable on demand.

(b) Remuneration of key management personnel of the Group

	For the six months ended 30 June	
	<u>2024</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short term employee benefits	2,114	2,693
Equity-settled share-based payments	542	1,309
	<u> </u>	<u> </u>
	2,656	4,002
	<u> </u>	<u> </u>

24. 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 techniques 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		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2024	31 December 2023				
Financial assets at FVTPL	520,501	653,994	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

A 1% decrease in the estimated return rates holding all other variables constant would decrease the carrying amount of the short-term investments by RMB3,007,000 (31 December 2023: RMB3,429,000)

A 1% increase in the estimated return rates holding all other variables constant would increase the carrying amount of the short-term investments by RMB3,187,000.00 (31 December 2023: RMB3,357,000)

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

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurement of financial assets

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

	<u>RMB'000</u>
At 1 January 2023 (audited)	<u>390,203</u>
Purchase of financial assets at FVTPL	837,443
Redemption of financial assets at FVTPL	(720,100)
Net gains on financial assets at FVTPL	<u>22,888</u>
At 30 June 2023 (unaudited)	<u><u>530,434</u></u>
At 1 January 2024 (audited)	<u>653,994</u>
Purchase of financial assets at FVTPL	971,000
Redemption of financial assets at FVTPL	(1,121,792)
Net gains on financial assets at FVTPL	<u>17,299</u>
At 30 June 2024 (unaudited)	<u><u>520,501</u></u>

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

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024.

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 2024 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company has applied the principles of good corporate governance and complied with the applicable code provisions of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), except for a deviation from code provision C.2.1 of the Corporate Governance Code which states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

As Mr. Ho Kuang-Chi, the founder of the Company, is familiar with and has extensive knowledge and experience in the Group’s business, the Board considers that vesting the roles of both chairman of the Board and chief executive officer in the same person provides the Group with strong and consistent leadership and facilitates the implementation and execution of our Group’s business strategy. The balance of power and authority is adequately ensured by the operations of the senior management and the Board, which comprises experienced and high-caliber individuals. As at the date of this announcement, the Board comprises an executive Director (i.e. Mr. Ho Kuang-Chi), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Furthermore, decisions of the Board are made by way of majority votes. The Board will nevertheless review the Company’s structure from time to time in light of the prevailing circumstances.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding directors’ securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the Reporting Period.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company relevant employees was noted by the Company during the Reporting Period.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company. As at 30 June 2024, the Company did not hold any treasury shares.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises two independent non-executive Directors, namely Mr. Hon Ping Cho Terence and Mr. Kot Man Tat and a non-executive Director, namely Ms. Li Jie. Mr. Hon Ping Cho Terence is the chairman of the Audit Committee.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.xiabu.com). The interim report of the Company for the six months ended 30 June 2024 will be despatched to the shareholders of the Company (if requested) and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board of
Xiabuxiabu Catering Management (China) Holdings Co., Ltd.
HO Kuang-Chi
Chairman

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. HO Kuang-Chi as executive Director; Ms. CHEN Su-Yin and Ms. LI Jie as non-executive Directors; and Mr. HON Ping Cho Terence, Ms. CHEUNG Sze Man and Mr. KOT Man Tat as independent non-executive Directors.