



Xiao Nan Guo Restaurants Holdings Limited  
**小南國餐飲控股有限公司**

Incorporated in the Cayman Islands with limited liability  
 Stock Code: 3666

上海 | 小南國  
 SHANGHAI MIN



# Contents

CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	4
MANAGEMENT DISCUSSION AND ANALYSIS	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	14
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	15
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	16
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	19
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	21
OTHER INFORMATION	54

## BOARD OF DIRECTORS

### Executive Directors

Ms. Wang Huimin (*Chairlady and Chief Executive Officer*)

Ms. Zhu Xiaoxia

Ms. Wu Wen

### Non-executive Directors

Ms. Wang Huili

Mr. Weng Xiangwei

Mr. Wang Hairong

### Independent Non-executive Directors

Mr. Lui Wai Ming

Dr. Wu Chun Wah

Mr. Lin Lijun

## JOINT COMPANY SECRETARIES

Ms. Zhao Hailin

Ms. Mok Ming Wai

## AUTHORIZED REPRESENTATIVES

Ms. Wang Huimin

Ms. Zhao Hailin

Mr. Wang Shoudong (alternate authorized representative)

## AUDIT COMMITTEE

Mr. Lui Wai Ming (*Chairman*)

Mr. Weng Xiangwei

Dr. Wu Chun Wah

Mr. Lin Lijun

## REMUNERATION COMMITTEE

Dr. Wu Chun Wah (*Chairman*)

Ms. Wang Huimin

Mr. Lui Wai Ming

Mr. Lin Lijun

## NOMINATION COMMITTEE

Ms. Wang Huimin (*Chairlady*)

Dr. Wu Chun Wah

Mr. Lui Wai Ming

Mr. Lin Lijun

## RISK MANAGEMENT COMMITTEE

Ms. Wang Huimin (*Chairlady*)

Ms. Zhu Xiaoxia

Dr. Wu Chun Wah

## EXECUTIVE COMMITTEE

Ms. Wang Huimin (*Chairlady*)

Ms. Zhu Xiaoxia

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3201-5, Tower One

Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The People's Republic of China

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman, KY1-1111

Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman, KY1-1111

Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

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Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## **LEGAL ADVISERS**

### **As to Hong Kong law:**

Deacons  
5/F, Alexandra House  
18 Chater Road  
Central, Hong Kong

### **As to Cayman Islands law:**

Conyers Dill & Pearman  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## **AUDITOR**

Ernst & Young  
Certified Public Accountants  
22nd Floor, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

## **STOCK CODE**

03666

## **COMPANY'S WEBSITE**

[www.xiaonanguo.com](http://www.xiaonanguo.com)

## **INVESTOR RELATIONS**

Ms. Zhao Hailin  
Email: [ir@xiaonanguo.com](mailto:ir@xiaonanguo.com)

# Financial Highlights

	Six months ended 30 June		%Change Increase/ (decrease)
	2016 (unaudited)	2015 (unaudited)	
Revenue (RMB'000)	1,004,431	1,002,917	0.2%
Gross profit <sup>1</sup> (RMB'000)	709,851	696,949	1.9%
Gross margin <sup>2</sup>	70.7%	69.5%	1.2%
Profit for the period attributable to equity holder of the parent (RMB'000)	10,802	14,899	(27.5%)
Net profit margin <sup>3</sup>	1.1%	1.5%	(0.4%)
Earnings per share – Basic	<b>RMB0.73 cents</b>	RMB1.01 cents	
Interim dividend per share (HK cents)	–	–	
Number of restaurants (as at 30 June) <sup>4</sup>	137	137	

## Notes:

- 1 The calculation of gross profit is based on revenue less cost of sales.
- 2 The calculation of gross margin is based on gross profit divided by revenue.
- 3 Net profit margin is calculated as profit for the period attributable to equity holder of the parent divided by revenue.
- 4 The number of restaurants included the 29 stores of POKKA HK acquired at the beginning of 2015 and excluded Mai Chi Ling licenced stores.

## INDUSTRY REVIEW

In the first half of 2016, the global economy delivered sluggish overall performance. The prospect of global economic recovery faced increased uncertainties due to the geopolitical risks represented by the Brexit. Against the backdrop of slowdown in the global economy and the deepening of the structural adjustment in China, during the first half of 2016, China's Gross Domestic Product (GDP) recorded a year-on-year growth of 6.7% to RMB34,063.7 billion, which was higher than the lower limit of the forecasted annual target.

According to statistics issued by the National Bureau of Statistics of China, in the first half of 2016, disposable income per capita nationwide was RMB11,886, representing an actual year-on-year increase of 6.5%. Revenue of the catering industry in China reached RMB1,668.3 billion, representing a year-on-year increase of 11.2%, which was 0.3 percentage point lower than the growth rate delivered in the first quarter of 2016. Revenue of the catering industry in the PRC accounted for 10.7% of total retail sales of social consumer goods. The growth rate of revenue of the catering industry, although experienced an overall deceleration, was higher than that of total retail sales of social consumer goods. According to the analysis of the China Cuisine Association (CCA), currently both the total retail sales of social consumer goods and the revenue of the catering industry displayed relatively stable trend of development, and the floating path was largely in line with the performance last year. The revenue of the catering industry was developing within a rational range, despite the weakening in the growth momentum. As a rule of thumb, during summer season, especially the summer vacation, driven by the thriving mass catering and the leisure travelling consumption, the catering market across the country will follow a development trend of acceleration amid stable performance. It is expected that the growth rate of the revenue of the catering industry in China will pick up in the coming two months.

As one of the largest multi-brand restaurant groups in China and under the market conditions presenting challenges as well as opportunities, the Company will maintain its proactive and aggressive approach and adjust the strategic direction as appropriate, while focusing on the allocation of appropriate tactical resources. In 2016, in addition to the endeavor to improve income and earnings, the Company will also strive for becoming the leading industry player.

## FINANCIAL PERFORMANCE FOR THE FIRST HALF OF 2016

As at 30 June 2016, revenue of the Company increased by 0.2% from that of the same period last year to RMB1,004.4 million. The gross profit increased by 1.9% to RMB709.9 million during the period, which benefited from the increase in gross profit margin. Profit attributable to owners of the Company was RMB10.8 million, representing a decrease of RMB4.1 million from that of the same period last year.

## OPERATIONS REVIEW FOR THE FIRST HALF OF 2016

As an active response to the changes in the market environment and demand of consumers, in the first half of 2016, Xiao Nan Guo took a comprehensive approach to the strategic transformation of the Company, which involved the gradual shift away from the heavy-asset business model to the rapid increase in the brand investment and operation featuring light asset model from a strategic perspective, as well as the inclusion of certain important aspects into the framework of the overall transformation of Xiao Nan Guo, such as brand development, business transformation, reshaping of the system of supply chain and application related to the Internet. Major initiatives adopted in the first half of 2016 are set out below:

### **Adjust restaurants with conventional fixed assets and optimize asset structure**

Under the strategy of “focusing on core cities and enhancing management efficiency”, during the first half of 2016, the Company closed down 10 restaurants with burdensome conventional fixed assets, and narrowed down its management radius from 22 cities to 21 cities. In the first half of 2016, although 10 restaurants were closed down as part of the adjustment, our OBM business, represented by Shanghai Min restaurants, showed robust performance, with the operating profit margin of the stores reaching 9.9% (the first half of 2015: 9.3%), which was a testimony of the Company’s operation and management ability under complex market conditions.

### **Adjust organization structure and reap preliminary results in control on headquarter administrative expenses**

Since the beginning of 2016, the Company had taken an active approach of flattening and market-oriented reform for the management function of the headquarter, and conferred more functions of the headquarters on the subsidiaries and stores, enabling the latter make faster response to the market demands and improving the satisfaction from clients according to the local condition, so as to enhance the profitability of the frontline operation units. As at 30 June 2016, the headcount of management decreased by 14.4% compared with that at the end of 2015, while the percentage of headquarter administrative expense to the total revenue decreased to 7.5% in the first half of 2016 from the full year level of 8.0% in 2015. As the completion of structural adjustment took place by stages in the first half of 2016, the effect of control on administration expenses will be further materialized in the second half of 2016.

### **Carry forward our multi-brand strategy and expand the sources of revenue**

Since the implementation of our multi-brand strategy in 2013, the Company has been dedicated to fostering and introducing various up-to-date concepts of catering. During the year 2015, these newly introduced brands commenced operation successively and delivered preliminary results. Oreno and Wolfgang Puck, the two flagship restaurants opened in the second half of 2015 in Shanghai Xintiandi were well received by customers and delivered excellent performance.

The operation of the four restaurants in the theme park with international reputation in Shanghai, namely, the Shanghai Min, The Boathouse, Wolfgang Puck and the dining room, which were settled in the theme park in June 2016, has commenced as scheduled. It is expected that these restaurants will deliver satisfactory results benefiting from the growth in the traffic in the theme park in the future.

In the first half of 2016, total revenue of newly introduced brands (including Oreno, Wolfgang Puck, The Boathouse, Mai Chi Ling and POKKA) reached RMB200.4 million, representing 19.9% of the total revenue (the first half of 2015: 16.5%). Revenue of “the dining room” restaurants reached RMB113.0 million, representing 11.3% of the total revenue (the first half of 2015: 8.8%).

## **OUTLOOK**

The Company expects that the catering industry in the second half of 2016 will continue to face various challenges and more intense competitions. Under the leadership of Ms. Wang Huimin, the Company will be committed to focusing on the industry chain of the catering industry and the vertical penetration into the terminal sales level, while pushing ahead with the integration between offline stores and the platform resources in the industry chain, thus building up an integrated platform catering to the industry brand development, and accomplishing the transformation to a group engaging in industry brand investment and operation. The Group proposed the following strategies to continue to promote our strategic reform:

**Multi-brand Strategy**

The Company will continue to operate the existing business of each brand and enhance overall operational efficiency, while boosting the same restaurant comparable sales through different measures, such as menu optimization and marketing campaigns. Meanwhile, the Company will focus on brand investment, joint operation of brands, exploration of business opportunities and establishment of publication platform, for the purpose of increasing our brand influence and expanding the stores through cooperation in the industry.

**Asset optimization strategy**

The Company will continue to push ahead with its strategy of light asset model, gradually dispose of conventional fixed assets with low competitive advantage, while focusing on brands/products that are lighter and with greater technology/platform advantage and higher added value. These initiatives are expected to further strengthen the Company's core competitive advantage in the Internet plus era of catering industry.

**Cost efficiency strategy**

We will fully utilize the online B2B supply chain platform in the industry to achieve direct procurement, reduce layers of distribution and to enhance food tracking system for safety purposes. These measures will help to improve product quality and reduce supply chain cost and eventually expand the profit margin.

**Product commercialization strategy**

The Company will leverage on the Company's brand strength and R&D capability, as well as through the acquisition of 9.82% equity interest of Wowo Limited, the original source supplier, customer channel and internet platform resources, and the strengthened cooperation with various Internet platforms to explore B2C and B2B online and offline sales, with the ultimate goal of promoting the sale of our branded goods and add value to our brand.

**Human resources capitalization strategy**

The Company will continue to promote a culture of internal entrepreneurship, and take advantage of our platform to introduce partnership mechanism to inspire the potential and creativity of our staffs through a more flexible corporate structure, thus boost the value contribution from the talents.

**FINANCIAL REVIEW**

For the six months ended 30 June 2016, the revenue of the Group reached RMB1,004.4 million, representing an increase of RMB1.5 million or 0.2% compared to RMB1,002.9 million for the six months ended 30 June 2015. The gross profit of the Group achieved RMB709.9 million, an increase of approximately RMB13.0 million from RMB696.9 million for the same period of 2015. For the six months ended 30 June 2016, the profit attributable to owners of the Company amounted to approximately RMB10.8 million, a decrease of RMB4.1 million compared to the profit for the same period of 2015.

As at 30 June 2016, the Group operated a restaurant network of 77 "Shanghai Min" restaurants, 3 "Maison De L'Hui" restaurants, 23 "the dining room" restaurants, 2 "Oreno" restaurants, 2 "Wolfgang Puck" restaurants, 1 "The Boathouse" restaurant and 29 restaurants under POKKA HK brands, which covers some of the most affluent and fast-growing cities in China, Hong Kong and other regions. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, as at 30 June 2016 and 2015 respectively.



	Six months ended 30 June			
	2016		2015	
	Number of restaurants (Note iii)	Revenue RMB'000 (unaudited)	Number of restaurants	Revenue RMB'000 (unaudited)
China (Note (i))				
– Shanghai Min	69	571,696	73	618,509
– Maison De L'Hui	3	30,122	3	28,725
– the dining room	17	50,448	14	56,984
– Oreno	1	11,785	1	1,001
– Wolfgang Puck	2	12,443	–	–
– The Boathouse	1	1,137	–	–
Hong Kong				
– Shanghai Min	8	83,283	9	86,911
– the dining room	6	61,780	4	29,042
– Oreno	1	11,780	1	11,610
– POKKA HK Brands (Note iv)	28	144,536	29	140,972
Macau (Note v)				
– Shanghai Min	–	4,273	1	11,171
– the dining room	–	811	1	2,035
– POKKA HK Brands	1	6,811	1	7,362
<b>Total revenue of restaurant operations (Note ii)</b>	<b>137</b>	<b>990,905</b>	<b>137</b>	<b>994,322</b>
<b>Other revenue</b>		<b>13,526</b>		<b>8,595</b>
<b>Total revenue</b>		<b>1,004,431</b>		<b>1,002,917</b>

## Notes

- (i) The People's Republic of China (the "PRC"), which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan.
- (ii) Total revenue of restaurant operations include revenue of restaurant operations and packaging products of restaurants.
- (iii) The number of restaurants did not include Mai Chi Ling licensed stores.
- (iv) POKKA HK brands included 29 stores under 10 brands such as POKKA Café and Tonkichi, etc., in Hong Kong and Macau.
- (v) Macau Shanghai Xiao Nan Guo (澳門小南國) and the dining room were sold at the end of February 2016. Stores of which were not included in the number of restaurants as at the end of the period, but the revenue from January to February in 2016 included in the revenue for the first half of 2016.

## Revenue

Revenue of the Group increased by RMB1.5 million, or 0.2%, from RMB1,002.9 million for the six months ended 30 June 2015 to RMB1,004.4 million for the six months ended 30 June 2016. This increase was due to an increase of RMB4.9 million in other revenue during the period.

## Total Revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB3.4 million, or 0.3% from RMB994.3 million for the six months ended 30 June 2015 to RMB990.9 million for the six months ended 30 June 2016, primarily reflecting:

- an increase of RMB22.6 million in revenue contributed by 7 restaurants newly opened for the six months ended 30 June 2016;
- an increase of RMB68.5 million in revenue contributed by 12 restaurants opened in 2015;
- a decrease of RMB15.7 million, representing a decrease of 2.1%, in comparable restaurants sales from the six months ended 30 June 2015 to the six months ended 30 June 2016; and
- the relocation, adjustment, decrease of stores for the six months ended 30 June 2016 incurred a decrease in revenue of RMB78.8 million.

## Other revenue

Other revenue increased by RMB4.9 million, from RMB8.6 million for the six months ended 30 June 2015 to RMB13.5 million for the six months ended 30 June 2016, which primarily reflected an increase of RMB7.6 million in Mai Chi Ling licensing business for the period.

## Cost of Sales

Cost of sales decreased by RMB11.4 million, or 3.7%, from RMB306.0 million for the six months ended 30 June 2015 to RMB294.6 million for the six months ended 30 June 2016.

The cost of sales as a percentage of the revenue decreased from 30.5% for the six months ended 30 June 2015 to 29.3% for the six months ended 30 June 2016, which primarily reflected a saving in the cost of foods and the cost in processing of semi-finished products.

## Other income

Other income decreased by RMB0.6 million, from RMB22.7 million for the six months ended 30 June 2015 to RMB22.1 million for the six months ended 30 June 2016.

## Selling and distribution expenses

Selling and distribution cost increased by RMB18.2 million, or 3.0%, from RMB605.6 million for the six months ended 30 June 2015 to RMB623.8 million for the six months ended 30 June 2016, which was mainly due to the increase of operation expenses from stores in the theme park with international reputation during the pre-opening period.

Labor costs relating to the restaurants, central kitchens and central warehouses increased by RMB0.7 million, or 0.3%, from RMB247.5 million for the six months ended 30 June 2015 to RMB248.2 million for the six months ended 30 June 2016. As a percentage of our revenue, labor costs maintained at 24.7% for the six months ended 30 June 2016.

Occupancy costs relating to restaurants, central kitchens and central warehouses increased by RMB10.2 million, or 5.9%, from RMB174.3 million for the six months ended 30 June 2015 to RMB184.5 million for the six months ended 30 June 2016. As a percentage of our revenue, occupancy costs increased from 17.4% for the six months ended 30 June 2015 to 18.4% for the six months ended 30 June 2016, which was mainly due to the increase of rent from new stores opened in 2015 and 2016.

Depreciation expenses relating to the restaurants, central kitchens and central warehouses increased by RMB0.7 million, or 0.9%, from RMB75.4 million for the six months ended 30 June 2015 to RMB76.1 million for the six months ended 30 June 2016. As a percentage of our revenue, depreciation expenses increase from 7.5% for the six months ended 30 June 2015 to 7.6% for the six months ended 30 June 2016.

### **General and administrative expenses**

Administrative expenses decreased by RMB4.5 million, or 5.6%, from RMB79.8 million for the six months ended 30 June 2015 to RMB75.3 million for the six months ended 30 June 2016, and as a percentage of our revenue, administrative expenses decreased from 8.0% to 7.5% during the same periods which was mainly attributable to the adjustment of the corporate structure and the control of management fees.

### **Other expenses**

Other expenses of RMB9.6 million for the six months ended 30 June 2016 were mainly attributable to one-time write-off of store closure and assets disposal.

### **Income Tax Expense**

Income tax expenses increased by RMB1.9 million or 32.6%, from RMB6.0 million for the six months ended 30 June 2015 to RMB7.9 million for the six months ended 30 June 2016, which was mainly attributable to the lapse of deferred income tax assets in Mainland China resulting the decrease in recoverable income tax.

### **Profit for the period attributable to owners of the Company**

As a result of the foregoing, the profit for the period attributable to owners of the Company decreased by RMB4.1 million from RMB14.9 million for the six months ended 30 June 2015 to RMB10.8 million for the six months ended 30 June 2016. The net profit margin decreased from 1.5% for the six months ended 30 June 2015 to 1.1% for the six months ended 30 June 2016.

### **Dividends payable**

For the six months ended 30 June 2016, the Group did not pay any dividends. As at 30 June 2016, there were no outstanding dividends payable.

### **Liquidity, financial resources and cash flow**

The Group funded the liquidity and capital requirements primarily through capital contributions from shareholders, bank loans, cash inflows from the operating activities.

As at 30 June 2016, the Group's total interest-bearing bank loans were RMB405.4 million. The gearing ratio was 42.0%. Gearing ratio is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The Group had net cash inflows from operating activities of RMB32.2 million for the six months ended 30 June 2016 (for the six months ended 30 June 2015: RMB82.6 million). As at 30 June 2016, the Group had RMB184.9 million in cash and cash equivalents (30 June 2015: RMB252.7 million). The following table sets out certain information regarding the consolidated cash flows for the period ended 30 June 2016 and 2015.

	For the six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Net cash flows from operating activities	32,225	82,622
Net cash flows used in investing activities	(98,607)	(198,277)
Net cash flows generated from financing activities	84,367	100,353
Net increase/(decrease) in cash and cash equivalents	17,985	(15,302)
Cash and cash equivalents at the beginning of the period	169,024	269,305
Effect of foreign exchange rate, net	(2,118)	(1,274)
Cash and cash equivalents at the end of the period	184,891	252,729

### Operating activities

Net cash inflow from operating activities decreased by RMB50.4 million from RMB82.6 million for the six months ended 30 June 2015 to RMB32.2 million for the six months ended 30 June 2016, which was primarily attributable to the decrease of profit in operating activities.

### Investing activities

Net cash flow used in investing activities was RMB98.6 million for the six months ended 30 June 2016, compared with RMB198.3 million for the same period in 2015, which is due to the investment activity of acquiring POKKA HK of the same period of last year.

### Financing activities

Net cash flow generated from financing activities decreased from a cash inflow of RMB100.4 million during the six months ended 30 June 2015 to a cash inflow of RMB84.4 million during the six months ended 30 June 2016, representing a decrease of RMB16.0 million.

### Foreign currency exposure

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the six-month periods ended 30 June 2016 and 30 June 2015 are denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure of foreign exchange risk.

### Contingent liabilities

There were no significant contingent liabilities for the Group as at 30 June 2016 and 31 December 2015.

## Operating lease arrangements

### As lessee

The Group leases certain of its offices and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 3 to 12 years.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within one year	336,460	261,650
In the second to fifth years, inclusive	840,908	668,904
After five years	272,994	202,524
	<b>1,450,362</b>	<b>1,133,078</b>

## Capital commitment

Capital commitments were approximately RMB3.8 million and RMB76.5 million as at 30 June 2016 and 31 December 2015 respectively.

## Pledge of group assets

As at 30 June 2016, the bank loans of HK\$42,800,000 (equivalent to RMB36,581,000) and RMB18,000,000 borrowed by the Company are secured by the pledge of certain of the Group's time deposits amounting to RMB40,000,000 and RMB20,000,000, respectively. The bank loans borrowed by POKKA HK are secured by mortgages over POKKA HK's building, which had a net carrying book value of approximately RMB75,808,000 at the end of the reporting period.

## Material acquisition and disposal

In addition to the disposal with no material impact to the Group disclosed in note 22, the Group and its subsidiaries and associated companies have no other major acquisition and disposal for the six months ended 30 June 2016.

## Human resources

The salary level of employees in the China restaurant industry has been generally increasing in recent years. Employee attrition level tend to be higher in the catering industry than other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 30 June 2016, the Group recruited about 5,064 employees in China, Hong Kong and other regions. During the six months ended 30 June 2016, total staff cost was RMB290.3 million, accounting for 28.9% of the revenue (six months ended 30 June 2015: RMB293.6 million, 29.3% of the revenue), representing a decrease in percentage of the revenue of 0.4% as compared to the first half of 2015.

**Important events after the current reporting period**

On 7 June 2016, the Company and Guotai Junan Securities (Hong Kong) Limited, entered into the underwriting agreement to implement the rights issue on the basis of one rights Share for every two Shares at the subscription price of HK\$0.41 per rights Share (the “**Rights Issue**”) and a total of 737,677,000 rights Shares were issued on 25 July 2016. For the details, please refer to the announcement published on 8 June 2016, the prospectus published on 30 June 2016 and the announcement published on 22 July 2016 by the Company in relation to the Rights Issue.

On 7 June 2016, Moonlight Vista Limited, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors (namely, Asia Global Develop Limited, Jade Investments Ventures Limited and Markland (Hong Kong) Planning Limited), has conditionally agreed to acquire 9.82% equity interest of WoWo Limited (the “**Acquisition**”). The Acquisition creates synergy to further enhance the Company’s development by taking advantage of the strong supply chain capacity of the WoWo Limited. The consideration for the Acquisition is approximately HK\$368.4 million. For the details, please refer to the announcement published on 8 June 2016 and the circular published on 8 August 2016 by the Company. The Acquisition has been approved by the extraordinary general meeting held on 24 August 2016.

On 22 July 2016, the Company and Shanghai Zhongmin Supply Chain Management Co., Ltd., a company indirectly owned by the Controlling Shareholder, entered into the Procurement Framework Agreement (the “**Procurement Framework Agreement**”) to procure raw food ingredients and other non-food items used for its restaurant operation. The Procurement Framework Agreement and the transactions contemplated thereunder constitute a continuing connected transaction for the Company. For the details, please refer to the announcement of the Company dated 22 July 2016.

# Interim Condensed Consolidated Statement of Profit or Loss

Six-month period ended 30 June 2016

	Notes	Six-month period ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
REVENUE	5	1,004,431	1,002,917
Cost of sales		(294,580)	(305,968)
Gross profit		709,851	696,949
Other income	5	22,111	22,703
Selling and distribution expenses		(623,805)	(605,634)
Administrative expenses		(75,293)	(79,770)
Other expenses		(9,551)	(7,253)
Finance costs	7	(4,741)	(6,823)
PROFIT BEFORE TAX	6	18,572	20,172
Income tax expense	8	(7,916)	(5,969)
PROFIT FOR THE PERIOD		10,656	14,203
Attributable to:			
Equity holder of the parent		10,802	14,899
Non-controlling interests		(146)	(696)
		10,656	14,203
Earnings per share attributable to ordinary equity holders of the Company			Restated
– Basic	10	RMB0.73 cents	RMB1.01 cents
– Diluted	10	RMB0.73 cents	RMB1.01 cents

# Interim Condensed Consolidated Statement of Comprehensive Income

Six-month period ended 30 June 2016

	Six-month period ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	10,656	14,203
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	(1,128)	–
Exchange differences on translation of foreign operations	1,087	(1,287)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(41)	(1,287)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>10,615</b>	<b>12,916</b>
Attributable to:		
Equity holder of the parent	10,761	13,612
Non-controlling interests	(146)	(696)
	10,615	12,916



# Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	745,726	721,712
Goodwill	4	12,930	12,674
Intangible assets		34,517	35,468
Available-for-sale investments		18,486	19,990
Long-term rental deposits		102,432	98,518
Deferred tax assets		86,483	84,526
Pledged deposits	15	40,000	60,000
Loan to non-controlling interest shareholder	4/a.2	45,385	44,487
Other long-term receivables	4/b	29,060	31,836
<b>Total non-current assets</b>		<b>1,115,019</b>	<b>1,109,211</b>
<b>CURRENT ASSETS</b>			
Inventories	12	37,884	54,116
Trade receivables	13	22,226	25,677
Prepayments, deposits and other receivables	14	241,777	168,434
Financial asset at fair value through profit or loss		231	227
Pledged deposits	15	20,000	20,000
Cash and cash equivalents	15	184,891	169,024
<b>Total current assets</b>		<b>507,009</b>	<b>437,478</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	16	111,103	117,889
Interest-bearing bank loans	17	265,570	291,099
Tax payable		18,224	15,963
Other payables and accruals	18	184,960	198,503
Deferred income		3,478	5,221
<b>Total current liabilities</b>		<b>583,335</b>	<b>628,675</b>
<b>NET CURRENT LIABILITIES</b>		<b>(76,326)</b>	<b>(191,197)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,038,693</b>	<b>918,014</b>

# Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Long-term deferred payment	4/b	29,060	31,836
Long-term payables		86,185	71,371
Interest-bearing bank loans	17	139,812	43,217
Deferred tax liabilities		333	708
<b>Total non-current liabilities</b>		<b>255,390</b>	<b>147,132</b>
<b>Net assets</b>		<b>783,303</b>	<b>770,882</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	19	12,035	12,035
Reserves		700,375	687,864
		712,410	699,899
Non-controlling interests		70,893	70,983
<b>Total equity</b>		<b>783,303</b>	<b>770,882</b>

Director

Director

# Interim Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2016

	Attributable to owners of the Company												Total equity RMB'000	
	Note	Issued capital RMB'000	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total RMB'000		Non-controlling interests RMB'000
As of 1 January 2016		12,035	472,827	27	59,478	(69,246)	2,042	13,836	(12,597)	20,004	201,493	699,899	70,983	770,882
Profit for the period		-	-	-	-	-	-	-	-	-	10,802	10,802	(146)	10,656
Other comprehensive income for the period:														
Changes in fair value of available-for-sale investments, net of tax		-	-	-	-	-	(1,128)	-	-	-	-	(1,128)	-	(1,128)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	1,087	-	-	1,087	-	1,087
Total comprehensive income for the period		-	-	-	-	-	(1,128)	-	1,087	-	10,802	10,761	(146)	10,615
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	56	56
Appropriation for reserve funds		-	-	-	-	-	-	291	-	-	(291)	-	-	-
Equity-settled share option arrangements	20	-	-	-	-	-	-	-	-	1,750	-	1,750	-	1,750
As of 30 June 2016 (unaudited)		12,035	472,827	27	59,478	(69,246)	914	14,127	(11,510)	21,754	212,004	712,410	70,893	783,303

	Attributable to owners of the Company												Total equity RMB'000	
	Note	Issued capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Total RMB'000		Non-controlling interests RMB'000
As of 1 January 2015		12,062	475,538	(2,711)	-	59,771	(69,246)	13,238	(16,329)	14,504	295,333	782,160	6,494	788,654
Profit for the period		-	-	-	-	-	-	-	-	-	14,899	14,899	(696)	14,203
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(1,287)	-	-	(1,287)	-	(1,287)
Total comprehensive income for the period		-	-	-	-	-	-	-	(1,287)	-	14,899	13,612	(696)	12,916
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	82,803	82,803
Cancellation of shares		(27)	(2,711)	2,711	27	-	-	-	-	-	-	-	-	-
Capital contribution from the non-controlling interests		-	-	-	-	973	-	-	-	-	-	973	5,861	6,834
Dividend paid to a non-controlling interest		-	-	-	-	-	-	-	-	-	(9,384)	(9,384)	-	(9,384)
Equity-settled share option arrangements		-	-	-	-	-	-	-	-	1,750	-	1,750	-	1,750
As of 30 June 2015 (unaudited)		12,035	472,827	-	27	60,744	(69,246)	13,238	(17,616)	16,254	300,848	789,111	94,462	883,573

# Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2016

	Notes	Six-month period ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Cash flows from operating activities</b>			
Profit before tax:		18,572	20,172
Adjustments for:			
Finance costs	7	4,741	6,823
Interest income	5	(2,050)	(2,286)
Dividend income from an available-for-sale investment	5	(400)	(2,000)
Depreciation	11	82,894	80,716
Amortisation of intangible assets		1,478	1,359
Loss on disposal of a subsidiary		2,621	–
Amortisation of other long-term assets		–	106
Loss on disposal of items of property, plant and equipment		6,810	6,314
Equity-settled share option expense	20	1,750	1,750
		116,416	112,954
Decrease in inventories		15,675	3,023
Decrease in trade receivables		869	947
(Increase)/decrease in prepayments, deposits and other receivables		(71,059)	166
Decrease in trade payables		(4,115)	(12,016)
Decrease in other payables and accruals		(27,107)	(3,954)
Increase in long-term rental deposits		(3,914)	(12,107)
Increase in long-term payables		14,814	3,233
(Decrease)/increase in deferred income		(1,743)	203
Cash generated from operations		39,836	92,449
Income tax paid		(7,611)	(9,827)
Net cash generated from operating activities		32,225	82,622
<b>Cash flows used in investing activities</b>			
Dividend received from an available-for-sale investment		–	2,000
Purchases of items of property, plant and equipment		(99,572)	(69,972)
Repayment of deferred payable		(1,710)	–
Acquisition of a subsidiary		–	(74,164)
Disposal of a subsidiary		625	–
Purchase of available-for-sale investment		–	(7,168)
Loan to a non-controlling interest shareholder		–	(51,259)
Interest received		2,050	2,286
Net cash used in investing activities		(98,607)	(198,277)

# Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2016

	Notes	Six-month period ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
<b>Cash flows from financing activities</b>			
Decrease/(increase) in pledged time deposits		20,000	(80,000)
Repayment of bank loans		(109,892)	(19,555)
Proceeds from new bank loans		179,000	199,897
Capital contribution from non-controlling interests		–	6,834
Interest paid		(4,741)	(6,823)
<b>Net cash generated from financing activities</b>		<b>84,367</b>	100,353
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the period		169,024	269,305
Effect of foreign exchange rate changes, net		(2,118)	(1,274)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>184,891</b>	252,729
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	15	169,852	252,369
Non-pledged time deposits with original maturity of less than three months	15	15,039	360
<b>Cash and cash equivalents as stated in the statement of cash flows</b>		<b>184,891</b>	252,729

## 1. CORPORATE INFORMATION

Xiao Nan Guo Restaurants Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands. The registered address is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of restaurant chain stores in Mainland China, Hong Kong and other regions. There were no significant changes in the nature of the Group’s principal activities during the period.

In the opinion of the directors, the holding company and the ultimate holding company is Xiao Nan Guo Restaurants Holdings Limited, which is incorporated in the Cayman Islands.

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 Interim Financial Reporting as well as with all the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

### **Net current liability**

As at 30 June 2016, the current liabilities of the Group exceeded its current assets by approximately RMB76 million. In the opinion of the Directors, the net current liability position was mainly caused by the payment for cash consideration of the acquisition transaction mentioned in note 4 as well as capital investment on newly opened stores. The Directors have prepared these interim condensed consolidated financial statements on a going concern basis based on the cash flow forecast, for the next 18-months since 30 June 2016, that the Group will generate sufficient operation cash inflows, to meet its financial obligations when they fall due.

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2016.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015.

30 June 2016

## 2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the new standards and interpretations effective as of 1 January 2016, noted below:

Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IAS 27 IFRS 14	<i>Equity Method in Separate Financial Statements Regulatory Deferral Accounts</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of IFRSs</i>

The adoption of these new and revised IFRSs had no significant financial effect on these financial statements.

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 9	<i>Financial Instruments<sup>2</sup></i>
IFRS 15	<i>Revenue from Contracts with Customers<sup>2</sup></i>
IFRS 16	<i>Leases<sup>3</sup></i>
Amendments to IFRS 15	<i>Revenue from Contract with Customers<sup>2</sup></i>
Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions<sup>2</sup></i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup></i>
Amendments to IAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> No mandatory effective date yet determined but is available for adoption

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs except for IFRS 9 and IFRS 16 are unlikely to have a significant impact on the Group's results of operations and financial position. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard. Given the nature of the Group's operations, IFRS 16 is expected to have impacts on the Group's consolidated financial statements. The Group has not completed its assessment of the full impact of adopting IFRS 16 and therefore the possible impacts on the Group's operating results and financial position have not been quantified.

## 3. OPERATING SEGMENT INFORMATION

On 7 January 2015, since the Group completed the acquisition of Million Rank (HK) Limited and its subsidiary Million Rank (Macau) Ltd., (collectively referred as "Pokka HK"), the Group has following two reportable operating segments based on their brands and services:

- (a) Xiao Nan Guo Business (including main brands: Shanghai Min, Maison De L'Hui, the dining room, Oreno, Wolfgang Puck and The Boathouse)
- (b) POKKA HK Business (the business acquired in January 2015 and including main brands: Pokka Café and Tonkichi)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.



# Notes To Interim Condensed Consolidated Financial Statements

30 June 2016

## 3. OPERATING SEGMENT INFORMATION *(continued)*

Period ended 30 June 2016

	Xiao Nan Guo RMB'000 (unaudited)	POKKA HK RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment revenue</b>			
Sales to external customers	853,084	151,347	1,004,431
Revenue from continuing operations			1,004,431
<b>Segment results</b>	28,211	(776)	27,435
<i>Reconciliation:</i>			
Elimination of intersegment results			29
Dividend income from an available-for-sale investment			400
Equity-settled share option expense			(1,750)
Interest income			2,050
Finance costs			(4,741)
Loss on disposal of a subsidiary			(2,621)
Corporate and other unallocated expenses			(2,230)
Profit before tax			18,572
<b>Segment assets</b>	844,811	477,591	1,322,402
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(31,979)
Corporate and other unallocated assets			331,605
Total assets			1,622,028
<b>Segment liabilities</b>	336,707	110,058	446,765
<i>Reconciliation:</i>			
Elimination of intersegment payables			(31,979)
Corporate and other unallocated liabilities			423,939
Total liabilities			838,725
<b>Other segment information:</b>			
Depreciation and amortization	72,945	11,427	84,372
Capital expenditure*	113,423	3,914	117,337

**3. OPERATING SEGMENT INFORMATION** *(continued)*

Period ended 30 June 2015

	Xiao Nan Guo RMB'000 (unaudited)	POKKA HK RMB'000 (unaudited)	Total RMB'000 (unaudited)
<b>Segment revenue</b>			
Sales to external customers	854,583	148,334	1,002,917
Revenue from continuing operations			1,002,917
<b>Segment results</b>	26,825	3,473	30,298
<i>Reconciliation:</i>			
Elimination of intersegment results			(431)
Dividend income from an available-for-sale investment			2,000
Equity-settled share option expense			(1,750)
Interest income			2,286
Finance costs			(6,823)
Corporate and other unallocated expenses			(5,408)
Profit before tax			20,172
<b>Segment assets</b>	1,028,978	278,144	1,307,122
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(32,470)
Corporate and other unallocated assets			441,758
Total assets			1,716,410
<b>Segment liabilities</b>	381,884	41,534	423,418
<i>Reconciliation:</i>			
Elimination of intersegment payables			(32,470)
Corporate and other unallocated liabilities			441,889
Total liabilities			832,837
<b>Other segment information:</b>			
Depreciation and amortization	69,282	12,793	82,075
Capital expenditure*	69,335	637	69,972

\* Capital expenditure consists of additions to property, plant and equipment, and intangible assets, including acquired assets from the acquisition of a subsidiary.

30 June 2016

**3. OPERATING SEGMENT INFORMATION** *(continued)***Geographical information****(a) Revenue from external customers**

	Six-month period ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mainland China	691,157	713,814
Hong Kong	301,379	268,536
Others	11,895	20,567
	<b>1,004,431</b>	<b>1,002,917</b>

The revenue information above is based on the location of the customers.

**(b) Non-current assets**

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Mainland China	654,262	615,418
Hong Kong	241,006	251,366
Others	337	1,588
	<b>895,605</b>	<b>868,372</b>

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

**Information about a major customer**

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six-month periods ended 30 June 2016 and 2015, no major customers segment information is presented in accordance with IFRS 8 *Operating Segments*.

#### 4. BUSINESS COMBINATION

Bright Charm Development Limited (“**Bright Charm**”) (a wholly-owned subsidiary of the Company) and Rosy Metro Investment Limited (“**Rosy Metro**”) (a company wholly owned by Ms. Pauline Wong) own 65% and 35% of the issued share capital of Million Rank Limited (“**MRL**”), respectively. On 7 January 2015, MRL acquired a 100% equity interest of POKKA HK from Pokka Corporation (Singapore) Pte. Ltd., (the “**Seller**”), at a total consideration of HK\$300,000,000 (equivalent to RMB236,580,000). POKKA HK, incorporated in Hong Kong, specialises in operating restaurants in Hong Kong and Macau under a portfolio of brands mainly in the casual dining segment of western and Japanese cuisines. The acquisition was made as part of the Group’s strategy to expand both its existing product portfolio and customer base. After the acquisition, the Company indirectly holds 65% shares of interest in POKKA HK.

The fair values of the identifiable assets and liabilities of POKKA HK as at the date of acquisition were as follows:

	Fair value recognized on acquisition RMB’000
Property, plant and equipment	128,868
Intangible assets*	32,661
Long term rental deposits	15,720
Deferred tax assets	615
Inventories	8,580
Prepayments, deposits and other receivables	12,416
Due from the precedent controlling shareholder	34,698
Trade receivables	4,281
Financial asset at fair value through profit or loss	213
Cash and cash equivalents	44,915
Trade payables	(7,465)
Other payables and accruals	(41,086)
Tax payables	(3,340)
Long-term payables	(6,400)
Deferred tax liability	(26)
<b>Total identifiable net assets at fair value</b>	<b>224,650</b>
<b>Goodwill on acquisition</b>	<b>11,930</b>
<b>Satisfied by cash</b>	<b>236,580</b>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB4,281,000 and RMB12,416,000, respectively, with no difference between the gross contractual amounts.

\* The fair values of intangible assets as at the date of acquisition amounted to RMB32,661,000, which consist of favourable contract, trademark and customer relationship.

## Notes To Interim Condensed Consolidated Financial Statements

30 June 2016

### 4. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	Note	RMB'000
Cash consideration		(236,580)
Cash consideration to be paid	b	31,544
Cash consideration paid		(205,036)
Cash and bank balances acquired		44,915
Consideration net off with the due from the precedent controlling shareholder	d	34,698
Consideration paid by non-controlling shareholder	a.2	51,259
Net outflow of cash and cash equivalents included in cash flows from investing activities		(74,164)
Transaction costs of the acquisition included in cash flows from operating activities	e	(7,852)
		(82,016)

The purchase price payment arrangement is as follows:

- a. At the acquisition, Bright Charm and Rosy Metro shall pay to the Seller HK\$216,000,000 (equivalent to RMB170,338,000).
  - a.1 The HK\$151,000,000 (equivalent to RMB119,079,000) has been paid by MRL through Bright Charm's subscription price for its subscription of shares in MRL was derived from the bank loan. The bank loan with balance of HK\$42,800,000 (equivalent to RMB35,858,000) as at 31 December 2015 was secured by the pledge of certain of the Group's time deposits amounted to RMB80,000,000. As at 30 June 2016, to match with the loan balance, the time deposit pledged for bank loan decreased to RMB40,000,000 accordingly.
  - a.2 The HK\$65,000,000 (equivalent to RMB51,259,000) constitutes part of the subscription price to be paid by Rosy Metro for its subscription of shares in MRL, was derived from the loan provided by POKKA HK. For financing purpose, Pokka HK entered into a facility agreement, amounted to HK65,000,000 (equivalent to RMB51,259,000), with commercial bank on 15 December 2014. The bank loans borrowed by POKKA HK are secured by mortgages over POKKA HK's building with a net carrying value of approximately RMB75,808,000 at 30 June 2016 (31 December 2015: RMB75,597,000). The loans to Rosy Metro, non-controlling shareholder of the Group, are secured as below note d. mentioned, bearing annual interest rate at no more than 5% and should be repaid in the next three years since 30 March 2015, the draw-down date.

The outstanding loan balance due from Rosy Metro was HK\$53,100,000, equivalent to RMB45,385,000 and RMB44,487,000 as at 30 June 2016 and 31 December 2015 respectively. Related interest income receivables from the outstanding loans of Rosy metro amounted to RMB1,436,800 as at 30 June 2016.

#### 4. BUSINESS COMBINATION (continued)

- b. The HK\$40,000,000 (equivalent to RMB31,544,000) paid by MRL through Rosy Metro's subscription price for its subscription of shares in MRL shall pay to the Seller in five instalments in accordance with the deferred payment schedule. According to the deferred payment schedule, HK\$2,000,000, HK\$4,000,000, HK\$5,000,000, HK\$6,000,000 and HK\$23,000,000 shall be paid on 7 January 2016, 2017, 2018, 2019 and 2020, respectively.

MRL and the Seller has entered into a share pledge agreement on 7 January 2015, pursuant to which 2,400,000 shares, representing 15% of the total issued share capital of POKKA HK, have been charged to the Seller as security for above deferred payment of HK\$40,000,000 (equivalent to RMB31,544,000). Upon punctual payment of each instalment of the deferred payment, the Seller undertakes to release certain charged shares in the amount proportional to the amount of each instalment of the deferred payment.

The MRL has paid the first instalment of HK\$2,000,000 (equivalent to RMB1,676,000) to the seller with certain charged shares released in January 2016. Included in the outstanding defer payment balance with amount of HK\$38,000,000 (equivalent to RMB32,479,000), HK\$4,000,000 (equivalent to RMB3,419,000) was stated as current portion of the long term defer payment.

The outstanding long-term receivables balance due from Rosy Metro was HK\$40,000,000, equivalent to RMB34,188,000 and RMB31,544,000 as at 30 June 2016 and 31 December 2015 respectively. The financial statements of the Group stated RMB5,128,000 (31 December 2015: RMB1,676,000) as current portion of the long-term receivables.

- c. The HK\$44,000,000 (equivalent to RMB34,698,000) paid by MRL through Bright Charm's subscription price for its subscription of shares in MRL was net off with the payment to POKKA HK assumed by the Seller.
- d. The loan to Rosy Metro and the deferred payment schedule mentioned above in notes a.2 and b. are both mortgaged by the 35% equity interest of MRL held by Rosy Metro. In the event that Rosy Metro may fail to fulfil these obligations, the Company and Bright Charm shall purchase or cause a third party to purchase the shares held by Rosy Metro.
- e. The transaction costs incurred for this acquisition are RMB14,162,000. HK\$8,000,000 (equivalent to RMB6,310,000) has been undertaken by the seller. HK\$6,840,000 (equivalent to RMB5,395,000) and RMB1,239,000 had been expensed by POKKA HK and the Company in the consolidated statement of profit or loss for the year ended 31 December 2014, respectively. The remaining cost of RMB700,000 had been expensed and was included in other expenses in the consolidated statement of profit or loss of 2015.

## Notes To Interim Condensed Consolidated Financial Statements

30 June 2016

### 5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, net of sales taxes and surcharges.

An analysis of revenue and other income is as follows:

	Six-month period ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Revenue</b>		
Restaurant operations	990,905	994,322
Other revenue	13,526	8,595
<b>Revenue, net</b>	<b>1,004,431</b>	<b>1,002,917</b>
<b>Other income</b>		
Government grants	10,821	13,667
Compensation income	4,900	–
Bank interest income	2,050	2,286
Membership fee income	1,983	–
Management fee	681	3,882
Dividend income from available-for-sale investment	400	2,000
Foreign exchange differences	187	163
Others	1,089	705
	<b>22,111</b>	<b>22,703</b>

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six-month period ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories consumed	294,580	305,968
Depreciation	82,894	80,716
Amortisation of intangible assets	1,478	1,359
Amortisation of other long-term assets	–	106
Minimum lease payments under operating lease on buildings	191,143	178,555
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	231,862	233,346
Equity-settled share option expense	1,750	1,750
Defined contribution pension scheme	56,657	58,515
	<b>290,269</b>	<b>293,611</b>
Bank interest income	(2,050)	(2,286)
Loss on disposal of a subsidiary	2,621	–
Loss on disposal of items of property and equipment	6,810	6,314

## 7. FINANCE COSTS

An analysis of finance cost is as follows:

	Six-month period ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank loans wholly repayable within five years	5,755	7,226
Less: Interest capitalised	(1,014)	(403)
	<b>4,741</b>	<b>6,823</b>



30 June 2016

## 8. INCOME TAX

	Six-month period ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Current – Mainland China charged for the period	7,382	13,523
Current – Hong Kong and elsewhere charged for the period	2,490	794
Deferred tax	(1,956)	(8,348)
<b>Total tax charge for the period</b>	<b>7,916</b>	<b>5,969</b>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gain or appreciation shall apply to the Company or its operations.

Pursuant to the International Business Companies Act, 1984 (the “**IBC Act**”) of the BVI, international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiaries incorporated in the BVI are not subject to tax.

According to the PRC Corporate Income Tax Law (“**PRC CIT Law**”), the applicable income tax rates for both domestic and foreign investment enterprises in the People’s Republic of China (the “**PRC**”) are unified at 25%.

According to the Macau Complementary Tax (“**MCT**”) Law, taxable profits below MOP200,000 are exempted from tax, taxable profits between MOP200,001 to MOP300,000 are subject to the rate of 9% and taxable profits over MOP300,000 are subject to the rate of 12%.

## 9. DIVIDENDS

No interim dividend was proposed during the six-month period ended 30 June 2016. No final and interim dividend was declared in 2015.

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the six-month period ended 30 June 2016 is based on the consolidated profit attributable to the equity holders of the Company and weighted average number of ordinary shares of 1,473,792,975 (30 June 2015: 1,470,027,802 (restated)) in issue throughout the period, as adjusted the bonus elements of the rights issue completed on 22 July 2016. Details of the rights issue please refer to the note 19.(b).

The calculation of diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company. The number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation and the number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Six-month period ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	10,802	14,899

	Six-month period ended 30 June	
	2016	2015
	(unaudited)	(unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	1,473,792,975	1,470,027,802
Effect of dilution – weighted average number of ordinary shares**: Share options	–	–
Number of ordinary shares used in the diluted earnings per share calculation	1,473,792,975	1,470,027,802

\* Not taking into account 7,500,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

\*\* Since the exercise prices of these options exceeded the average market price of ordinary shares during the period, there was no dilutive effect as of 30 June 2016.

# Notes To Interim Condensed Consolidated Financial Statements

30 June 2016

## 11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>30 June 2016</b>						
At 31 December 2015 and 1 January 2016 (audited):						
Cost	77,958	971,110	274,919	6,609	8,560	1,339,156
Accumulated depreciation	(2,361)	(378,896)	(156,577)	(2,734)	–	(540,568)
Impairment	–	(62,942)	(12,556)	(1,378)	–	(76,876)
<b>Net carrying amount</b>	<b>75,597</b>	<b>529,272</b>	<b>105,786</b>	<b>2,497</b>	<b>8,560</b>	<b>721,712</b>
At 1 January 2016, net of accumulated depreciation (audited)	75,597	529,272	105,786	2,497	8,560	721,712
Additions	–	59,781	12,852	944	43,760	117,337
Depreciation provided during the period	(1,228)	(61,673)	(19,700)	(293)	–	(82,894)
Disposal	–	(22,632)	(4,684)	–	–	(27,316)
Disposal of a subsidiary	–	(506)	(591)	–	–	(1,097)
Impairment written off	–	11,432	3,143	–	–	14,575
Transfers	–	41,862	7,564	–	(49,426)	–
Exchange realignment	1,439	1,402	547	21	–	3,409
<b>At 30 June 2016, net of accumulated depreciation (unaudited)</b>	<b>75,808</b>	<b>558,938</b>	<b>104,917</b>	<b>3,169</b>	<b>2,894</b>	<b>745,726</b>
At 30 June 2016 (unaudited):						
Cost	79,530	1,043,621	287,354	7,579	2,894	1,420,978
Accumulated depreciation	(3,722)	(433,173)	(173,024)	(3,032)	–	(612,951)
Impairment	–	(51,510)	(9,413)	(1,378)	–	(62,301)
<b>Net carrying amount</b>	<b>75,808</b>	<b>558,938</b>	<b>104,917</b>	<b>3,169</b>	<b>2,894</b>	<b>745,726</b>

## 11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold Land and Building RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>30 June 2015</b>						
At 31 December 2014 and 1 January 2015 (audited):						
Cost	-	891,043	200,800	6,455	9,147	1,107,445
Accumulated depreciation	-	(313,017)	(103,453)	(4,976)	-	(421,446)
Net carrying amount	-	578,026	97,347	1,479	9,147	685,999
At 1 January 2015, net of accumulated depreciation (audited)						
Cost	-	578,026	97,347	1,479	9,147	685,999
Additions	-	33,474	9,480	-	19,486	62,440
Acquisition of a subsidiary	73,380	31,045	23,562	881	-	128,868
Depreciation provided during the period	(1,145)	(57,941)	(21,404)	(226)	-	(80,716)
Disposal	-	(5,505)	(781)	(28)	-	(6,314)
Transfers	-	15,518	2,850	-	(18,368)	-
Exchange realignment	-	(12)	(1)	-	-	(13)
At 30 June 2015, net of accumulated depreciation (unaudited)	72,235	594,605	111,053	2,106	10,265	790,264
At 30 June 2015 (unaudited):						
Cost	73,380	956,718	233,794	6,771	10,265	1,280,928
Accumulated depreciation	(1,145)	(353,162)	(120,329)	(3,288)	-	(477,924)
Impairment	-	(8,951)	(2,412)	(1,377)	-	(12,740)
Net carrying amount	72,235	594,605	111,053	2,106	10,265	790,264
Additions	-	58,343	29,181	726	6,496	94,746
Depreciation provided during the period	(1,145)	(74,446)	(27,598)	(368)	-	(103,557)
Disposal	-	(4,655)	(1,555)	(14)	-	(6,224)
Impairment provided	-	(56,295)	(10,447)	(1)	-	(66,743)
Impairment write off	-	2,304	303	-	-	2,607
Transfers	-	5,190	3,011	-	(8,201)	-
Exchange realignment	4,507	4,226	1,838	48	-	10,619
At 31 December 2015, net of accumulated depreciation (audited)	75,597	529,272	105,786	2,497	8,560	721,712
At 31 December 2015 (audited):						
Cost	77,958	971,110	274,919	6,609	8,560	1,339,156
Accumulated depreciation	(2,361)	(378,896)	(156,577)	(2,734)	-	(540,568)
Impairment	-	(62,942)	(12,556)	(1,378)	-	(76,876)
Net carrying amount	75,597	529,272	105,786	2,497	8,560	721,712

At 30 June 2016, certain of the Group's building with a net carrying amount of approximately RMB75,808,000 (31 December 2015: RMB75,597,000) was pledged to secure bank loans granted to the Group (note 17 (c)).

30 June 2016

**12. INVENTORIES**

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Food and beverages, and other operating items for restaurant operations, at cost	37,884	54,116

**13. TRADE RECEIVABLES**

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within 1 month	14,289	16,537
1 to 2 months	1,188	3,035
2 to 3 months	1,355	2,412
Over 3 months	5,394	3,693
	22,226	25,677

All of the receivables were neither past due nor impaired and mainly relate to corporate customers and receivables from banks for credit cards settlement for whom there was no recent history of default.

**14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	Notes	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Deposits and other receivables		93,578	75,072
Prepaid expense		28,053	29,525
Amount due from companies owned by the Controlling Shareholder		46,447	42,010
Amount due from a director of major subsidiaries in Hong Kong		365	243
Receivables from non-controlling interests (Note 4/b)	(i)	7,052	1,676
Prepayments	(ii)	66,282	19,908
		<b>241,777</b>	<b>168,434</b>

(i) The balance of receivables from non-controlling interest consisted of the current portion of long-term receivables with amount of RMB5,128,000 as mentioned in noted 4/b, the interest receivables of the loan to non-controlling interest with amount of RMB1,436,800 as mentioned in note 4/a.2. and other short-term receivables.

(ii) Including RMB13,000,000 and RMB9,000,000 were paid to two ingredients suppliers, Ningbo Bomin Trading Co., Ltd. and Ningbo Wendingxinwei Trading Co., Ltd., respectively.

Amounts due from companies owned by the Controlling Shareholder are unsecured, interest-free and repayable on demand.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

**15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

	Note	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Cash and bank balances		169,852	143,521
Time deposits with original maturity of less than three months		15,039	45,503
Time deposits with original maturity of over three months		60,000	60,000
		<b>244,891</b>	<b>249,024</b>
Less: Pledged time deposits for bank loans:	17(a)		
– Current portion of		(20,000)	(20,000)
– Non-current portion of		(40,000)	(60,000)
Cash and cash equivalents		<b>184,891</b>	<b>169,024</b>

30 June 2016

**15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)**

The cash and bank balances and time deposits of the Group subsidiaries in Mainland China denominated in Renminbi ("RMB") amounted to RMB222,861,100 and RMB202,801,000 as at 30 June 2016 and 31 December 2015, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

**16. TRADE PAYABLES**

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

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within 3 months	106,197	116,019
3 months to 1 year	2,835	400
Over 1 year	2,071	1,470
	<b>111,103</b>	<b>117,889</b>

The trade payables are non-interest-bearing and normally settled within 30 days of receiving the invoice.

## 17. INTEREST-BEARING BANK LOANS

	30 June 2016			31 December 2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – unsecured	5.06	2016	80,000	5.06	2016	80,000
Bank loans – unsecured	Hibor+2.50	2016	19,701	Hibor+2.50	2018	36,303
Bank loans – unsecured	–	–	–	Hibor+2.75	2018	25,716
Bank loans – unsecured	COF+2.50	2016	42,735	COF+2.50	2016	41,890
Bank loans – unsecured	–	–	–	Libor+1.50	2016	64,908
Bank loans – unsecured	3.70	2016	62,000	–	–	–
Bank loans – secured (a)	Hibor+2.30	2016	36,581	Hibor+2.30	2016	35,858
Bank loans – secured (a)	4.35	2017	18,000	–	–	–
Current portion of long-term bank loans – secured (c)	Hibor+1.70	2017	2,279	Hibor+1.70	2016	2,234
Current portion of long-term bank loans – secured (c)	Hibor+2.45	2017	4,274	Hibor+2.45	2016	4,190
			265,570			291,099
<b>Non-current</b>						
Entrust bank loans – secured (b)	7.95	2018	99,000	–	–	–
Bank loans – secured (c)	Hibor+1.70	2022	29,060	Hibor+1.70	2022	29,603
Bank loans – secured (c)	Hibor+2.45	2020	11,752	Hibor+2.45	2020	13,614
			139,812			43,217
			405,382			334,316
<b>Analysed into:</b>						
Bank loans repayable:						
Within one year or on demand			265,570			291,100
In the second year			6,553			6,423
In the third to fifth years, inclusive			133,259			36,793
			405,382			334,316

- (a) The bank loans of HK\$42,800,000 (equivalent to RMB36,581,000) and RMB18,000,000 borrowed by the Company are secured by the pledge of certain of the Group's time deposits amounting to RMB40,000,000 and RMB20,000,000, respectively.
- (b) The entrust bank loan is borrowed from Wuhu Gefei Asset Management Co., Ltd. through Bank of Shanghai by the Company and are secured by the Controlling shareholder, Ms Wang Huimin, the Company and a subsidiary of the Company as well as the operating income right of the Group's four restaurants located in Shanghai Disney Resort.
- (c) The bank loans borrowed by POKKA HK are secured by POKKA HK's building, which had a net carrying book value of approximately RMB75,808,000 at the end of the reporting period.



## Notes To Interim Condensed Consolidated Financial Statements

30 June 2016

### 18. OTHER PAYABLES AND ACCRUALS

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Payroll and welfare payables	45,654	56,565
Taxes other than corporate income tax	1,715	11,091
Other payables for construction in progress	56,549	38,784
Accruals and other payables	69,544	78,004
Current portion of the long term defer payment	3,419	1,676
Advances from customers	8,079	12,383
	<b>184,960</b>	<b>198,503</b>

The balance of other payables and accruals is unsecured, interest-free and repayable on demand.

### 19. SHARE CAPITAL

#### Shares

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Authorised:		
Ordinary shares of HK\$0.01 each	10,000,000,000	10,000,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	1,475,354,000	1,475,354,000
Equivalent to RMB'000	12,035	12,035

## 19. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Capital redemption reserve RMB'000	Total RMB'000
At 1 January 2015	1,478,826,000	12,062	475,538	-	487,600
Shares cancelled (Note (a))	(3,472,000)	(27)	(2,711)	27	(2,711)
At 31 December 2015 and 30 June 2016	1,475,354,000	12,035	472,827	27	484,889

Notes:

- (a) The Company repurchased 3,472,000 shares of its stock on The Stock Exchange of Hong Kong Limited ("Stock Exchange") at an aggregate consideration of HK\$3,436,000 (equivalent to RMB2,711,000). These shares were cancelled by the Company on 7 January 2015.
- (b) The Company announced to implement the rights issue ("Rights Issue") on the basis of one rights Share for every two Shares at the subscription price of HK\$0.41 per rights share on 7 June 2016. On 22 July 2016, 737,677,000 rights shares have been issued, with net proceeds of HK\$299,484,000 (equivalent to RMB255,968,000). Immediately after completion of the Rights Issue, the total issued and fully paid shares of the Company was 2,213,031,000.

## 20. SHARE-BASED PAYMENTS

### (1) Pre-IPO Share Option Scheme

Two Pre-IPO share option schemes (the "Pre-IPO Schemes") were approved pursuant to the resolutions passed by the Company's board of directors on 10 February 2010 and 15 March 2011 (subsequently amended on 10 August 2011), respectively. According to the Pre-IPO Schemes, the directors may invite directors of the Group companies, senior management and other eligible participants to take up share options of the Company. The Pre-IPO Schemes became effective on 10 February 2010 and 15 March 2011, respectively. Options granted become vested after certain employment periods ranging from one to four years, while the grantees are required to complete the service till the vesting date. Some batches of share options were also conditional upon the achievement of performance conditions. The exercise price of share options is determinable by the directors.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of RMB1 or RMB1.1 or RMB1.175 in total by the grantee. The exercise period of the share options granted commences after a vesting period of one to four years and ends on a date which is 10 years from the date of offer of the share options or the expiry dates of the Pre-IPO Schemes, if earlier.

30 June 2016

**20. SHARE-BASED PAYMENTS** *(continued)***(1) Pre-IPO Share Option Scheme** *(continued)*

The following share options were outstanding under the Pre-IPO Schemes during the six-month period ended 30 June 2016 and 2015:

	Six-month period ended 30 June 2016
	Weighted average exercise price per share RMB
	Number of options '000
At 1 January 2016	30,407
Forfeited during the period	1.075 (4,927)
At 30 June 2016	25,480

	Six-month period ended 30 June 2015
	Weighted average exercise price per share RMB
	Number of options '000
At 1 January 2015	45,048
Forfeited during the period	1.129 (9,292)
At 30 June 2015	35,756

No share options under the Share Option Scheme were exercised during the six-month period ended 30 June 2016 and 2015.

**20. SHARE-BASED PAYMENTS (continued)****(1) Pre-IPO Share Option Scheme (continued)**

The exercise prices and exercise periods of the share options outstanding as at 30 June 2016 are as follows:

Number of options '000	Exercise price RMB per share	Exercise period
8,393	1	1 January 2012 to 11 February 2020
240	1	1 January 2012 to 21 June 2020
1,895	1	1 January 2012 to 1 September 2020
1,156	1.1	1 January 2012 to 15 December 2020
8	1.1	1 January 2012 to 26 January 2021
1,951	1.1	1 January 2012 to 22 March 2021
1,464	1.1	1 January 2012 to 22 March 2021
1,760	1.1	1 July 2012 to 1 July 2021
134	1.1	1 July 2012 to 1 July 2021
3,320	1.1	1 July 2012 to 12 August 2021
439	1.1	1 July 2012 to 12 August 2021
1,475	1.175	1 January 2013 to 15 January 2022
3,245	1.175	1 January 2013 to 15 May 2022
25,480		

There was no share options granted under Pre-IPO Share Option Scheme after 4 July 2012, the Company's listing date.

During the year ended 31 December 2011, a then director of the Company agreed to replace 15,797,820 share options (the "Original Share Options") granted to him under the Pre-IPO Schemes, and the Company issued 25,000,000 ordinary shares (the "Compensation Shares") to Affluent Harvest Limited, a wholly owned subsidiary, which will transfer the Compensation Shares to the then director at a consideration of RMB1.175 per share in the following manner:

- i. Conditional upon the initial public offering and listing of the Company's shares on the Stock Exchange (the "Listing"), 15,000,000 shares should be transferred from the investment holding company to the then director in four equal instalments by 1 July 2012, 2013, 2014 and 2015, respectively.
- ii. Conditional upon the Listing and the achievement of certain performance conditions for each of the four years ending 31 December 2014, 10,000,000 shares will be transferred to the then director in four equal instalments as at 1 July 2012, 2013, 2014 and 2015, respectively. Subsequently, 8,750,000 shares have been repurchased and cancelled, pursuant to the resolution of the board of directors of the Company, given the performance conditions were not met.

The incremental fair value of the replacement share-based payment arrangement for the then director was recognised as share option expenses over the vesting period. As at 31 December 2015, 16,250,000 Compensation Shares have been transferred to the then director. All the remaining shares have been repurchased and cancelled.

30 June 2016

**20. SHARE-BASED PAYMENTS (continued)****(2) Share Option Scheme**

The Company adopted a share option scheme (the “Share Option Scheme”) which became effective on 4 July 2012. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

The Board may, at its absolute discretion, offer an option to eligible participants to subscribe for the shares of the Company (the “Shares”) at an exercise price and subject to other terms under the Share Option Scheme. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000 shares, being 10% of the total number of Shares in issue at the time when dealings of the Shares first commence on the Stock Exchange.

The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 4 July 2012.

The following share options were outstanding under the Share Option Scheme during the six-month period ended 30 June 2016 and 2015:

	Six-month period ended 30 June 2016	
	Weighted average exercise price per share HKD	Number of options '000
At 1 January 2016		47,486
Forfeited during the period	1.370	(10,285)
At 30 June 2016		37,201

	Six-month period ended 30 June 2015	
	Weighted average exercise price per share HKD	Number of options '000
At 1 January 2015		47,524
Granted during the period	1.10	23,251
Forfeited during the period	1.40	(7,357)
At 30 June 2015		63,418

No share options under the Share Option Scheme were exercised during the six-month period ended 30 June 2016 and 2015.

**20. SHARE-BASED PAYMENTS (continued)****(2) Share Option Scheme (continued)**

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 30 June 2016 are as follows:

Number of options '000	Exercise price HKD per share	Exercise period
11,510	1.5	23 August 2013 to 22 August 2023
6,835	1.5	1 July 2015 to 29 June 2024
6,086	1.3	1 July 2015 to 29 June 2024
4,170	1.3	1 January 2016 to 31 December 2024
8,600	1	1 January 2016 to 31 December 2024
37,201		

The Group recognised share option expenses of RMB1,750,000 under the Pre-IPO Schemes and the Share Option Scheme during the six-month period ended 30 June 2016 (six-month period ended 30 June 2015: RMB1,750,000).

As at 30 June 2016, the Company had 25,480,000 and 37,201,000 share options outstanding under the Pre-IPO Schemes and the Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 62,681,000 additional ordinary shares of the Company and additional share capital of RMB536,000 and share premium of RMB69,092,000 (before issue expense).

At the date of approval of these financial statements, the Company had 62,681,000 share options outstanding under the Pre-IPO Schemes and the Share Option Scheme, which represented approximately 4.2% of the Company's shares in issue as at that date.

30 June 2016

## 21. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases certain of its office and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 3 to 12 years.

At the end of each reporting periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Within one year	336,460	261,650
In the second to fifth years, inclusive	840,908	668,904
After five years	272,994	202,524
	<b>1,450,362</b>	<b>1,133,078</b>

## 22. DISPOSAL OF A SUBSIDIARY

On 29 February 2016, the Group disposed of King Merit (Macau) Limited, a 70% indirectly-owned subsidiary of the Company, to its non-controlling shareholder, Mr. Li Risheng, an independent third party of the Group.

	Note	2016 RMB'000 (unaudited)
Net assets disposed of:		
Property, plant and equipment		1,097
Inventories		557
Trade receivables		2,582
Prepayments, deposits and other receivables		287
Cash and cash equivalents		3,585
Trade payables		(2,671)
Other payables and accruals		(5,944)
Less: non-controlling interests		56
		(451)
Satisfied by:		
Cash and cash equivalents		4,210
Waive of receivables due from King Merit (Macau) Limited		(7,282)
Loss on disposal of a subsidiary	6	2,621

## 23. COMMITMENTS

In addition to the operating lease commitments detailed in Note 21, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Contracted, but not provided for:		
Leasehold improvements	3,816	76,502

## 24. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Notes	Six-month period ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Fee income from provision of food processing service	(i)	144	609
Management fee income	(ii)	–	1,963
Property rental expense	(iii)	5,618	6,528
Integrated property management expense	(iv)	615	115
Purchase of goods and service	(v)	12,810	–
Sales of goods and service	(vi)	9,828	12,127
Actual Spending of Pre-paid Cards	(vii)	34,535	68,552
Commission paid for Pre-paid Cards	(vii)	368	732
Transfer of equity	(viii)	–	4,000

Notes:

- (i) The Group made purchases on behalf of certain related companies and charged a processing fee based on a pre-determined flat rate mutually agreed by both parties, for the period commencing from 1 January 2012 to 31 December 2014 which has been extended to 31 December 2017 in 2015.



30 June 2016

## 24. RELATED PARTY TRANSACTIONS *(continued)*

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period: *(continued)*

Notes: *(continued)*

- (ii) The Group entered into integrated management service agreements with Xiao Nan Guo (Group) Co., Ltd., a company owned by the Controlling Shareholder, pursuant to which the Group has agreed to provide integrated management services to Xiao Nan Guo (Group) Co., Ltd. for the period commencing from 1 July 2010 to 31 December 2014 and extended to 31 December 2017 in 2014, for a monthly service fee of RMB250,000. On 8 January 2016, due to the restructure of the Group, the Company and Xiao Nan Guo (Group) Co., Ltd. entered into a termination agreement to early terminate the framework integrated service agreement with effect from 1 January 2016.

The Group entered into a management service agreement with Shanghai Huimei Restaurant Management Co., Ltd. ("**Shanghai Huimei**"), a company indirectly owned by the Controlling Shareholder, pursuant to which the Group has agreed to provide comprehensive management services to Shanghai Huimei for the period commencing from 1 January 2014 to 31 December 2016. The contract was terminated on 1 July 2015, upon the disposal of Shanghai Huimei by the Controlling Shareholder. No service fee was charged during the period ended 30 June 2016 (30 June 2015: RMB463,000).

- (iii) Shanghai Hongqiao Xiao Nan Guo Restaurant Management Co., Ltd. ("**Hongqiao XNG**"), a company owned by the Controlling Shareholder, leases restaurant premises to the Group for an annual rental fee of RMB4,000,000, which was determined with reference to the market rental rate, for a period of five years commencing 1 July 2008 and the lease period has been extended to 31 December 2017 in 2014. During the period ended 30 June 2016, the actual rental charged by Hongqiao XNG was RMB2,000,000 (30 June 2015: RMB2,000,000).

The Group entered into a lease agreement with Xiao Nan Guo (Group) Co., Ltd. to lease office premises for the period commencing from 1 July 2012 and the lease period has been extended to 31 December 2017 in 2014, based on a market price mutually agreed by both parties. The actual fee charged during the period ended 30 June 2016 was RMB1,470,000, with service fee included (30 June 2015: RMB1,516,000).

The Group entered into a lease agreement with Xiao Nan Guo (Group) Co., Ltd. to lease a banquet hall as a restaurant for the period commencing from 16 September 2012 to 31 December 2014 and extended the lease period to 31 December 2017 in 2014, at a rental fee based on a market price mutually agreed by both parties. During the period ended 30 June 2016, the rental charged by Xiao Nan Guo (Group) Co., Ltd. was RMB2,148,000 (30 June 2015: RMB3,012,000).

- (iv) The Group entered into a service agreement with Hongqiao XNG for the period commencing from 1 January 2012 to 31 December 2014, and renewed for next 3 years. (the "**Service Agreement**"), pursuant to which Hongqiao XNG has agreed to provide property management service to the Group. The service fee was charged based on actual costs incurred. No transaction incurred during the period ended 30 June 2016 (30 June 2015: RMB115,000).

The Group entered into a service agreement with Xiao Nan Guo (Group) Co., Ltd. for the period commencing from 1 January 2015 to 31 December 2017, pursuant to which Xiao Nan Guo (Group) has agreed to provide property management service to the Group for a monthly service fee of RMB102,500 for the year 2016. During the period ended 30 June 2016, the management fee charged by Xiao Nan Guo (Group) Co., Ltd. was RMB615,000.

**24. RELATED PARTY TRANSACTIONS** *(continued)*

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period: *(continued)*

Notes: *(continued)*

- (v) The Group entered into a hotel coupon purchase agreement with WH Ming Hotel, a hotel owned by the Controlling Shareholder, for a term of one year (the “**Coupon Purchase Agreement**”) in 2013. Pursuant to the Coupon Purchase Agreement, the Group agreed to purchase hotel coupons at an agreed price which would enable the Group to attain a gross margin rate of not lower than 25% of its selling price.

In 2014, the Coupon Purchase Agreement has been revised with a term of three years. Pursuant to the revised Coupon Purchase Agreement, the Group agreed to purchase hotel coupons at a discounted price. There was no transaction conducted during the six-month period ended 30 June 2016 (30 June 2015: Nil).

The Group entered into a procurement framework agreement with Zhongmin Supply Chain, a company indirectly owned by the Controlling Shareholder, pursuant to which the Group has agreed to procure raw ingredients used for restaurant operations from Zhongmin Supply Chain, for the period commencing from 1 July 2015 to 30 June 2016. The Group has procured raw ingredients of RMB12,810,000 from Zhongmin during the six-month period ended 30 June 2016 (30 June 2015: Nil). The pricing of such raw ingredients shall be determined with reference to the costs for such raw ingredients and the prevailing market price and procurement quantity of similar raw ingredients.

- (vi) The Group provided banquet food to WH Ming Hotel, a hotel owned by the Controlling Shareholder, upon request for banquet arrangements at the hotel premises for the customers of WH Ming Hotel. The price of banquet food sold to WH Ming Hotel shall be decided by the Group, and shall not be lower than 75% of the selling price of the food in the menu of the Group. The agreement commenced from 1 January 2014 to 31 December 2016. The income generated from banquet food provided to WH Ming Hotel amounted to RMB9,607,000 during the period ended 30 June 2016 (30 June 2015: RMB11,556,000).

The Group sold gift boxes to Xiao Nan Guo (Group) Co., Ltd. amounting to RMB221,000 based on market price (30 June 2015: RMB571,000).

- (vii) The Group entered into a Pre-paid Cards Agreement in 2014 with Shanghai Xiao Nan Guo Enterprises Service Information Development Limited (“XNG Information Development”), a company indirectly owned by Wang Bai Xuan Tiffany who is the daughter of the Controlling Shareholder of the Company. Pursuant to the agreement, the Pre-paid Cards can be used at the Shanghai Min Restaurants, the WH Ming Hotel as well as other businesses operated by the Controlling Shareholder. The actual spending is the amount which the Pre-paid Card holders have actually spent at the Shanghai Min Restaurants via the Pre-paid Cards, which amounted to RMB34,535,000 (30 June 2015: RMB68,552,000). The commission rate payable to XNG Information Development shall be 1% of the actual dining expenses, which amounted to RMB368,000 (30 June 2015: RMB732,000), of a Pre-paid Card holder for every bill (before discount (if any)) at the Shanghai Min Restaurants.
- (viii) The Group has entered into an Equity Transfer Agreement with the Controlling Shareholder to purchase 20% equity interest held in 上海眾橫快建品牌管理有限公司 in June 2015, with a total consideration of RMB4,000,000.

30 June 2016

**24. RELATED PARTY TRANSACTIONS** *(continued)***(b) Other transactions with related parties**

- (i) The Group entered into a trademark licensing agreement with Xiao Nan Guo (Group) Co., Ltd. pursuant to which Xiao Nan Guo (Group) Co., Ltd. had granted the Group an exclusive license to use its registered trademarks for no consideration.
- (ii) Xiao Nan Guo (Group) Co., Ltd., a company controlled by the Controlling shareholder, had guaranteed certain bank loans with amount of RMB150,149,000 lent to the Group by buildings with net carrying value of RMB80,000,000 as at 30 June 2015. As at 30 June 2016, the guarantee has been released. Further details referred to note 17 (a) of the financial statements.
- (iii) The Controlling Shareholder, Ms Wang Huimin, had guaranteed certain bank loans made to the Group of up to RMB99,000,000 as at 30 June 2016 (30 June 2015: Nil), as further detailed in note 17 (b) to the financial statements.
- (iv) On 8 January 2016, Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd., ("**Shanghai Xiao Nan Guo**"), an indirect wholly-owned subsidiary of the Company, Zhongmin GP and the Other Zhongju Investors entered into the Zhongju LP Agreement for the establishment of the Zhongju Limited Partnership Enterprise, and pursuant to which Shanghai Xiao Nan Guo (as one of the limited partners) agrees to invest RMB3,168,000 in Zhongju Limited Partnership Enterprise (representing approximately 2.943% of the relevant total registered capital).

**(c) Outstanding balances with related parties**

The amounts due from the Companies owned by the Controlling Shareholder are disclosed in note 14 to the financial statements. These balances are unsecured, interest-free and have no fixed terms of repayment.

The amounts due from non-controlling shareholder are disclosed in other receivables, other long-term receivables and the loan to non-controlling shareholder to the financial statements. The details were disclosed in note 4 and note 14 to the financial statements.

**(d) Compensation of key management personnel of the Group**

	Six-month period ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	1,852	3,185
Equity-settled share-based payment	68	535
<b>Total compensation paid to key management personnel</b>	<b>1,920</b>	<b>3,720</b>

The related party transactions with the Controlling Shareholder and companies owned by the Controlling Shareholder also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

**25. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**30 June 2016 (unaudited)***Financial assets*

	Loans and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	18,486	18,486
Long-term rental deposits	102,432	–	102,432
Loan to a non-controlling interest shareholder	45,385	–	45,385
Other long-term receivables	29,060	–	29,060
Trade receivables	22,226	–	22,226
Financial assets included in prepayments, deposits and other receivables	116,267	–	116,267
Financial asset at fair value through profit or loss	231	–	231
Pledged deposits	60,000	–	60,000
Cash and cash equivalents	184,891	–	184,891
	560,492	18,486	578,978

*Financial liabilities*

	Financial liabilities at amortised cost RMB'000
Long-term defer payment	29,060
Long-term payables	86,185
Trade payables	111,103
Financial liabilities included in other payables and accruals	132,894
Interest-bearing bank loans	405,382
	764,624

## Notes To Interim Condensed Consolidated Financial Statements

30 June 2016

### 25. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:  
(continued)

#### 31 December 2015 (audited)

##### Financial assets

	Loans and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	19,990	19,990
Long-term rental deposits	98,518	–	98,518
Loan to a non-controlling shareholder	44,487	–	44,487
Other long-term receivables	31,836	–	31,836
Trade receivables	25,677	–	25,677
Financial assets included in prepayments, deposits and other receivables	98,740	–	98,740
Financial asset at fair value through profit or loss	227	–	227
Pledged deposit	80,000	–	80,000
Cash and cash equivalents	169,024	–	169,024
	548,509	19,990	568,499

##### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term defer payment	31,836
Long-term payables	71,371
Trade payables	117,889
Financial liabilities included in other payables and accruals	128,774
Interest-bearing bank loans	334,316
	684,186

## 26. FAIR VALUE

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank loans, long-term rental deposits and long-term payables approximate to their carrying amounts.

Certain unlisted available-for-sale equity investments as at 31 December 2015 and 30 June 2016 are stated at cost less impairment because the investments do not have a quoted market price in an active market and in the opinion of the directors, the fair value cannot be measured reliably.

The following table provides the fair value measurement hierarchy of the Company's financial instruments measured at fair value as at 30 June 2016:

### Financial assets measured at fair value

	Fair value measurements categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial asset at fair value through profit or loss	–	231	–	231
Unlisted equity investment, at fair value	4,387	–	–	4,387
	4,387	231	–	4,618

There have been no transfers between Level 1 and Level 2 during the year.

The fair values of the financial asset at fair value through profit or loss and the unlisted equity investment at fair value are derived from quoted prices in active markets.

## 27. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed the subsequent event of the Rights Issue in note 19, the Group entered into the share purchase agreement dated 7 June 2016 to acquire an aggregate of 141,914,880 ordinary shares of Wowo Limited, representing approximately 9.82% of the issued share capital of Wowo Limited, for an aggregate consideration of HK\$368,396,837 (equivalent to RMB314,869,000) (“**the Acquisition**”). The completion of the Acquisition is conditional upon the completion of Rights Issue, which has been completed on 22 July 2016. The net proceeds raised from the Rights Issue will be used to pay the consideration of the Acquisition.

On 8 August 2016, the circular in connection with the Acquisition was published by the Company. The transaction had been approved by the extraordinary general meeting of the Company held on 24 August 2016.

## 28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 August 2016.

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### CHANGES OF DIRECTORS AND SENIOR MANAGEMENT

As of the date of this Report, there were no significant changes in the information related to directors of the Company (the "Directors") and senior management as compared to the particulars set out in the Company's 2015 Annual Report, save as disclosed below:

On 23 March, 2016, Mr. Lin Lijun was appointed as an independent non-executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

On 23 March 2016, Dr. Wu Chun Wah was appointed as a member of Nomination Committee; Mr. Lui Wai Ming was appointed as a member of the Remuneration Committee and Ms. Wu Wen resigned as a member of the Executive Committee.

On 23 May 2016, Ms. Leng Yijia resigned as a joint company secretary and ceased to act as an authorized representative of the Company; and Ms. Zhao Hailin was appointed as a joint company secretary and as authority representative of the Company.

On 30 June 2016, Dr. Wu Chun Wah was appointed as an independent non-executive director of Hanny Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 275).

Save as disclosed above, there is no change of information of each of the Directors or chief executive of the Company that is required to be disclosed under Rule 13.51B (1) of the Listing Rules.

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

As at 30 June 2016, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to notify to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, are set out as follows:

Name of Directors	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding
Wang Huimin	Beneficiary of a trust	778,765,500(L) <sup>(2)</sup>	35.19% <sup>(8)</sup>
	Trustee	166,747,227(L) <sup>(3)</sup>	7.53% <sup>(8)</sup>
Wu Wen	Interest in controlled corporation	62,592,681(L) <sup>(4)</sup>	2.83% <sup>(8)</sup>
	Beneficial owner	13,050,000(L)	0.59% <sup>(8)</sup>
Wang Huili	Interest in controlled corporation	12,260,625(L) <sup>(5)</sup>	0.55% <sup>(8)</sup>
	Beneficial owner	13,650,000(L)	0.62% <sup>(8)</sup>
Wang Hairong	Interest in controlled corporation	118,223,625(L) <sup>(6)</sup>	5.34% <sup>(8)</sup>
	Beneficial owner	12,297,000(L)	0.56% <sup>(8)</sup>
Weng Xiangwei	Interest in controlled corporation	167,887,000 <sup>(7)</sup>	11.38%

### Notes:

- (1) The letter "L" denotes long position in the shares held by the Directors.
- (2) The relevant shares of the Company were held by Value Boost Limited. The entire issued share capital of Value Boost Limited was held by Extensive Power Limited which acted as the trustee of The Wang Trust. The Wang Trust was a trust established by Ms. Wang Huimin, an executive Director, as the settlor and the trustee on 27 August 2011. The beneficiaries of The Wang Trust were Ms. Wang Huimin and in the event of her decease her estate administrator. Therefore, Ms. Wang Huimin and Extensive Power Limited were deemed to be interested in the Shares held Value Boost Limited under the SFO.
- (3) The relevant Shares were held by Ms. Wang Huimin as trustee. Therefore, Ms. Wang was also deemed to be interested in the Shares under the SFO.
- (4) The relevant Shares were held by Well Reach Limited. Ms. Wu Wen, a non-executive Director, owned the entire issued share capital of Brilliant South Limited, which beneficially owned 100% equity interest in Well Reach Limited. Therefore, Ms. Wu Wen was deemed to be interested in the Shares held by Well Reach Limited under the SFO.
- (5) The relevant Shares were held by Fast Thinker Limited. Ms. Wang Huili, a non-executive Director, owned the entire issued share capital of Ever Project Investments Limited, which beneficially owned 100% equity interest in Fast Thinker Limited. Therefore, Ms. Wang Huili was deemed to be interested in the Shares held by Fast Thinker Limited under the SFO.



- (6) The relevant Shares were held by Full Health Limited. Mr. Wang Hairong, a non-executive Director, owned the entire issued share capital of Wealth Boom Enterprises Limited, which beneficially owned 100% equity interest in Full Health Limited. Therefore, Mr. Wang Hairong and Wealth Boom Enterprise Limited were deemed to be interested in the Shares held by Full Health Limited under the SFO.
- (7) The relevant Shares were held by Sunshine Property I Limited. Mr. Weng Xiangwei, a non-executive Director, owned the entire issued share capital of Shining (BVI) Limited, which beneficially owned 100% equity interest in Shining Capital Management Limited, which in turn beneficially owned 100% equity interest in Shining Capital Holdings L.P., which also in turn beneficially owned 100% equity interest in Sunshine Property I Limited. Therefore, Mr. Weng Xiangwei, Shining (BVI) Limited, Shining Capital Management Limited and Shining Capital Holdings L.P. were deemed to be interested in the shares held by Sunshine Property I Limited under the SFO.
- (8) The relevant approximate percentage of shareholding was arrived at after taking into account the unissued shares to be allotted and issued upon completion of the Rights Issue such that the enlarged number of issued shares of the Company would be 2,213,031,000 Shares. Details of the Rights Issue have been set out in the announcement published on 8 June 2016, the prospectus published on 30 June 2016 and the announcement published on 22 July 2016 by the Company.

## SHARE OPTION SCHEME

The Company currently adopted two share option schemes, the purpose of which is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

### (1) Pre-IPO Share Option Schemes

Pursuant to the written resolutions of the shareholders of the Company passed on 10 February 2010 and 15 March 2011, the rules of two Pre-IPO share option schemes (the "Pre-IPO Share Option Schemes") were approved and adopted, respectively. The Pre-IPO Share Option Schemes adopted on 15 March 2011 was subsequently amended on 10 August 2011 pursuant to the written resolutions of the shareholders of the Company passed on 29 July 2011. The options granted to any grantee under the Pre-IPO Share Option Scheme adopted on 15 March 2011 and amended on 10 August 2011 shall vest according to the following schedule:

- (a) from 1 July 2012 to 10 years from the date of grant:
  - (1) 25% shall vest if the Company's net profit for the year ended 31 December 2011 reaches a specified target;
  - (2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2011 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
  - (3) if the Company's net profit for the year ended 31 December 2011 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;
- (b) from 1 July 2013 to 10 years from the date of grant:
  - (1) 25% shall vest if the Company's net profit for the year ended 31 December 2012 reaches a specified target;
  - (2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2012 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
  - (3) if the Company's net profit for the year ended 31 December 2012 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;

- (c) from 1 July 2014 to 10 years from the date of grant:
- (1) 25% shall vest if the Company's net profit for the year ended 31 December 2013 reaches a specified target;
  - (2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2013 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
  - (3) if the Company's net profit for the year ended 31 December 2013 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options; and
- (d) from 1 July 2015 to 10 years from the date of grant:
- (1) 25% shall vest if the Company's net profit for the year ended 31 December 2014 reaches a specified target;
  - (2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2014 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
  - (3) if the Company's net profit for the year ended 31 December 2014 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options.

Each option granted under the Pre-IPO Share Option Schemes is exercisable within 10 years from the date on which such option becomes vested. For details of the share options, please refer to Note 20 to the financial statements.

Pursuant to the Pre-IPO Scheme Option Schemes, all the options under the Pre-IPO Scheme Option Schemes were granted on or before 13 June 2012 as mentioned in the Prospectus. No further options will be granted under the Pre-IPO Share Option Schemes upon listing of the shares of the Company (the "Shares") on the Stock Exchange. The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of RMB1 or RMB1.1 or RMB1.175 by the grantee.

Since the adoption of the Pre-IPO Share Option Schemes, 101,318,199 share options have been granted under these schemes. From 1 January 2016 to the period ended 30 June 2016, no share options granted under the Pre-IPO Share Option Schemes have been exercised and no shares options granted under the Pre-IPO Share Option Schemes have been lapsed. As at 30 June 2016, 25,479,750 share options granted under the Pre-IPO Share Option Schemes were still outstanding. The summary of the share options granted under the Pre-IPO Share Option Schemes that were still outstanding as at 30 June 2016 are as follows:

Name of the grantee	No. of share options	No. of share options	No. of share options	No. of share options	No. of share options	
	outstanding as at 1 January 2016	granted during the period ended 30 June 2016	exercised during the period ended 30 June 2016	cancelled during the period ended 30 June 2016	lapsed during the period ended 30 June 2016	outstanding as at 30 June 2016
Employees (in aggregate)	30,407,250	-	-	4,927,500	-	25,479,750

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted under the pre-IPO Share Option Schemes that were still outstanding as at 30 June 2016 are set out below:

Participants	Date of Grant of Option	Exercise Period of Option	Exercise Price of Option RMB per share	No. of outstanding option as at the Latest Practicable Date '000
Employees	11 February 2010	1 January 2012 to 11 February 2020	1	8,393
	21 June 2010	1 January 2012 to 21 June 2020	1	240
	1 September 2010	1 January 2012 to 1 September 2020	1	1,895
	15 December 2010	1 January 2012 to 15 December 2020	1.1	1,156
	26 January 2011	1 January 2012 to 26 January 2021	1.1	8
	28 February 2011	1 January 2012 to 22 March 2021	1.1	1,951
	22 March 2011	1 January 2012 to 22 March 2021	1.1	1,464
	1 July 2011	1 July 2012 to 1 July 2021	1.1	1,760
	1 July 2011	1 July 2012 to 1 July 2021	1.1	134
	12 August 2011	1 July 2012 to 12 August 2021	1.1	3,320
	12 August 2011	1 July 2012 to 12 August 2021	1.1	439
	15 January 2012	1 January 2013 to 15 January 2022	1.175	1,475
	15 May 2012	1 January 2013 to 15 May 2022	1.175	3,245
	Total			

As a result of the completion of the Rights Issue, adjustments have to be made to the exercise price and the number of outstanding share options granted by the Company pursuant to the terms of the two pre-IPO Share Schemes, the details of which are set out in the announcement of the Company dated 25 August 2016.

### (2) Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”) which became effective on 4 July 2012. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants as rewards or incentives for their contribution to the Group.

The Board may, at its absolute discretion, offer an option to eligible participants to subscribe for the Shares at an exercise price and subject to other terms under the Share Option Scheme. The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000 Shares, being 10% of the total number of Shares in issue at the time when dealings of the Shares first commenced on the Stock Exchange. The exercise price shall be determined and notified to the qualified participants by the Board and shall not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange’s daily quotations sheet on the date of grant of such share option (which must be a business day); (ii) the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of such share option; and (iii) the nominal value of the Shares on the date of grant.

The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 4 July 2012. Under the Share Option Scheme, each option has a 10-year exercise period. For the period from 1 January 2016 to 30 June 2016, no share option was granted under the Share Option Scheme.

The summary of the share options granted under the Share Option Schemes that were still outstanding as of 30 June 2016 are as follows:

Name of the grantee	No. of share options outstanding as at 1 January 2016	No. of share options granted during the period ended 30 June 2016	No. of share options exercised during the period ended 30 June 2016	No. of share options cancelled during the period ended 30 June 2016	No. of share options lapsed during the period ended 30 June 2016	No. of share options outstanding as at 30 June 2016
Employees (in aggregate)	47,485,024	–	–	5,170,309	5,113,747	37,200,968

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted under the Share Option Scheme that were still outstanding as at 30 June 2016 are set out below:

Participants	Date of Grant of Option	Exercise Period of Option	Exercise Price of Option HK\$ per share	No. of outstanding option as at the Latest Practicable Date '000
Employees	23 August 2013	23 August 2013 to 22 August 2023	1.5	11,510
	30 June 2014	1 July 2015 to 29 June 2024	1.5	6,835
	30 June 2014	1 July 2015 to 29 June 2024	1.3	6,086
	1 January 2015	1 January 2016 to 31 December 2024	1.3	4,170
	1 January 2015	1 January 2016 to 31 December 2024	1	8,600
Total				37,201

As a result of the completion of the Rights Issue, adjustments have to be made to the exercise price and the number of outstanding share options granted by the Company pursuant to the terms of the Share Option Scheme, the details of which are set out in the announcement of the Company dated 25 August 2016.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the following persons (other than directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholders	Capacity/Nature of interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding
Extensive Power Limited	Interest in controlled corporation	778,765,500 (L) <sup>(2)</sup>	35.19% <sup>(7)</sup>
Value Boost Limited	Beneficial owner	778,765,500 (L) <sup>(2)</sup>	35.19% <sup>(7)</sup>
Full Health Limited	Beneficial owner	118,223,625 (L) <sup>(3)</sup>	5.34% <sup>(7)</sup>
Wealth Boom Enterprise Limited	Interest in controlled corporation	118,223,625 (L) <sup>(3)</sup>	5.34% <sup>(7)</sup>
Shining Capital Holdings L.P.	Interest in controlled corporation	167,887,000 (L) <sup>(4)</sup>	11.38%
Shining Capital Management Limited	Interest in controlled corporation	167,887,000 (L) <sup>(4)</sup>	11.38%
Sunshine Property I Limited	Beneficial owner	167,887,000 (L) <sup>(4)</sup>	11.38%
Kralik James Christopher	Trustee	113,820,000 (L) <sup>(5)</sup>	7.71%
Lou Yunli	Trustee/Founder of a discretionary trust	113,820,000 (L) <sup>(5)</sup>	7.71%
MCP China Investment Holdings Limited	Interest in controlled corporation	113,820,000 (L) <sup>(5)</sup>	7.71%
Milestone Capital Investment Holdings Limited	Interest in controlled corporation	113,820,000 (L) <sup>(5)</sup>	7.71%
Milestone Capital Partners III Limited	Interest in controlled corporation	113,820,000 (L) <sup>(5)</sup>	7.71%
Milestone China Opportunities Fund III, L.P.	Interest in controlled corporation	113,820,000 (L) <sup>(5)</sup>	7.71%
Milestone F&B I Limited	Beneficial owner	113,820,000 (L) <sup>(5)</sup>	7.71%
Shanghai International Group Co., Ltd	Interest in controlled corporation	404,761,819 (L) <sup>(6)</sup>	27.43%

### Notes:

- (1) The letter "L" denotes long position in the shares.
- (2) The relevant Shares were held by Value Boost Limited. The entire issued share capital of Value Boost Limited was held by Extensive Power Limited which acted as the trustee of The Wang Trust. The Wang Trust was a trust established by Ms. Wang Huimin, an executive Director, as the settlor and the trustee on 27 August 2011. The beneficiaries of The Wang Trust were Ms. Wang Huimin and in the event of her decease her estate administrator. Therefore, Ms. Wang Huimin and Extensive Power Limited were deemed to be interested in the Shares held by Value Boost Limited under the SFO.
- (3) The relevant Shares were held by Full Health Limited. Mr. Wang Hairong, a non-executive Director, owned the entire issued share capital of Wealth Boom Enterprises Limited, which beneficially owns 100% equity interest in Full Health Limited. Therefore, Mr. Wang Hairong and Wealth Boom Enterprise Limited were deemed to be interested in the Shares held by Full Health Limited under the SFO.
- (4) The relevant Shares were held by Sunshine Property I Limited. Mr. Weng Xiangwei, a non-executive Director, owned the entire issued share capital of Shining (BVI) Limited, which beneficially owned 100% equity interest in Shining Capital Management Limited, which in turn beneficially owned 100% equity interest in Shining Capital Holdings L.P., which also in turn beneficially owned 100% equity interest in Sunshine Property I Limited. Therefore, Mr. Weng Xiangwei, Shining (BVI) Limited, Shining Capital Management Limited and Shining Capital Holdings L.P. were deemed to be interested in the shares held by Sunshine Property I Limited under the SFO.

- (5) The relevant Shares were held by Milestone F&B I Limited. Each of James Christopher Kralik and Lou Yunli held 50% interests in Linden Street Capital Limited, which in turn held 100% in MCP China Investment Holdings Limited. MCP China Investment Holdings Limited held 85% interests in Milestone Capital Investment Holdings Limited, which in turn held 100% interests in Milestone Capital Partners III Limited. Milestone Capital Partners III Limited was the general partner of Milestone China Opportunities Fund III, L.P., which in turn held 100% interest in Milestone F&B I Limited. Therefore, James Christopher Kralik, Lou Yunli, Linden Street Capital Limited, MCP China Investment Holdings Limited, Milestone Capital Investment Holdings Limited, Milestone Capital Partners III Limited and Milestone China Opportunities Fund III, L.P. were therefore deemed to be interested in the Shares held by Milestone F&B I Limited.
- (6) The relevant Shares were held by Guotai Junan Securities (Hong Kong) Limited as the underwriter of the Rights Issue. Shanghai International Group Co., Ltd held 36.36% interests in Guotai Junan Securities Co., Ltd., which in turn held 100% interests in Guotai Junan Financial Holdings Limited, which also in turn held 100% interests in Guotai Junan Holdings Limited. Guotai Junan Holdings Limited held 65.13% interests in Guotai Junan International Holdings Limited, which in turn held 100% interests in Guotai Junan (Hong Kong) Limited, which also in turn held 100% interests in Guotai Junan Securities (Hong Kong) Limited. Therefore, Shanghai International Group Co., Ltd, Guotai Junan Securities Co., Ltd, Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited and Guotai Junan (Hong Kong) Limited were deemed to be interested in the Shares held by Guotai Junan Securities (Hong Kong) Limited.
- (7) The relevant approximate percentage of shareholding was arrived at after taking into account the unissued shares to be allotted and issued upon completion of the Rights Issue such that the enlarged number of issued shares of the Company would be 2,213,031,000 Shares. Details of the Rights Issue have been set out in the announcement published on 8 June 2016, the prospectus published on 30 June 2016 and the announcement published on 22 July 2016 by the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding directors’ transactions of the listed securities of the Company. After specific enquires to all directors, all the Directors have confirmed that they have complied with the required standard of dealings set out in the Model Code for the six months ended 30 June 2016.

## CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules of the Stock Exchange as its code of corporate governance. Except as disclosed below, for the six months period ended 30 June 2016, the Company has complied with the applicable code provisions in the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairlady and chief executive officer should be separated and should not be performed by the same individual. At present, the roles of the chairlady and the chief executive officer of the Company are performed by Ms. Wang Huimin as a result of the change of management members. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high-quality individuals and meets regularly to discuss issues relating to the operations of the Company. The Board has full confidence in Ms. Wang Huimin and believes that having Ms. Wang Huimin performing the roles of the chairman and the chief executive officer enables the Group to make and implement decisions promptly and efficiently which is beneficial to the Company as a whole. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive officer in the future.

As at 31 December 2015, following the resignation of Mr. Wang Chiwei, one of the independent non-executive Directors, the Company was unable to fulfill (i) Rule 3.10(1) of the Listing Rules which requires the Board to have at least three independent non-executive Directors; (ii) Rule 3.10A which requires the number of independent non-executive Directors to be at least one-third of the Board; (iii) Rule 3.25 which requires the majority of the Remuneration Committee to be independent non-executive Directors; and (iv) code provision A.5.1 of the CG Code which requires the majority of the Nomination Committee to be independent non-executive Directors. Following the appointment of Mr. Lin Lijun as an independent non-executive Director, and a member of the Remuneration Committee and the Nomination Committee of the Company on 23 March 2016, the Company has re-complied with the above Listing Rules and CG Code.

### AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) on 30 August 2011 with written terms of reference formulated in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors.

The members of the Audit Committee include Mr. Lui Wai Ming, Mr. Weng Xiangwei, Dr. Wu Chun Wah and Mr. Lin Lijun. Mr. Lui Wai Ming is the chairman of the Audit Committee.

The Audit Committee has discussed with the management of the Company and the external auditor about the accounting principles and practices adopted by the Company and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016.