

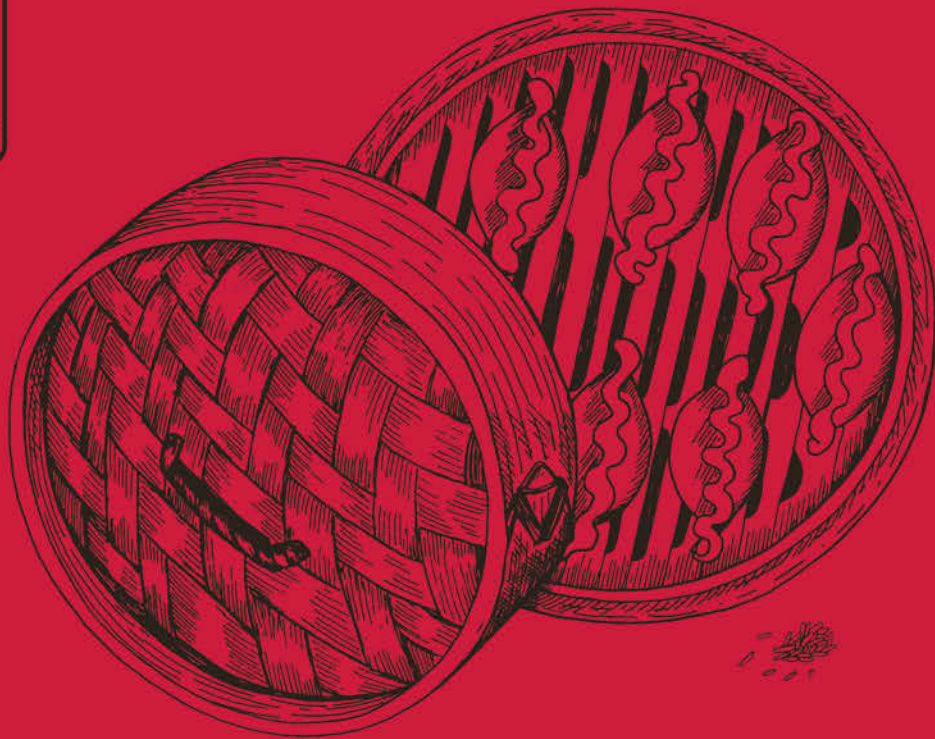
Tan'Sh

Global Food Group Co., Limited

國際天食集團有限公司
TANSH Global Food Group Co., Ltd

Incorporated in the Cayman Islands with limited liability

Stock Code: 3666



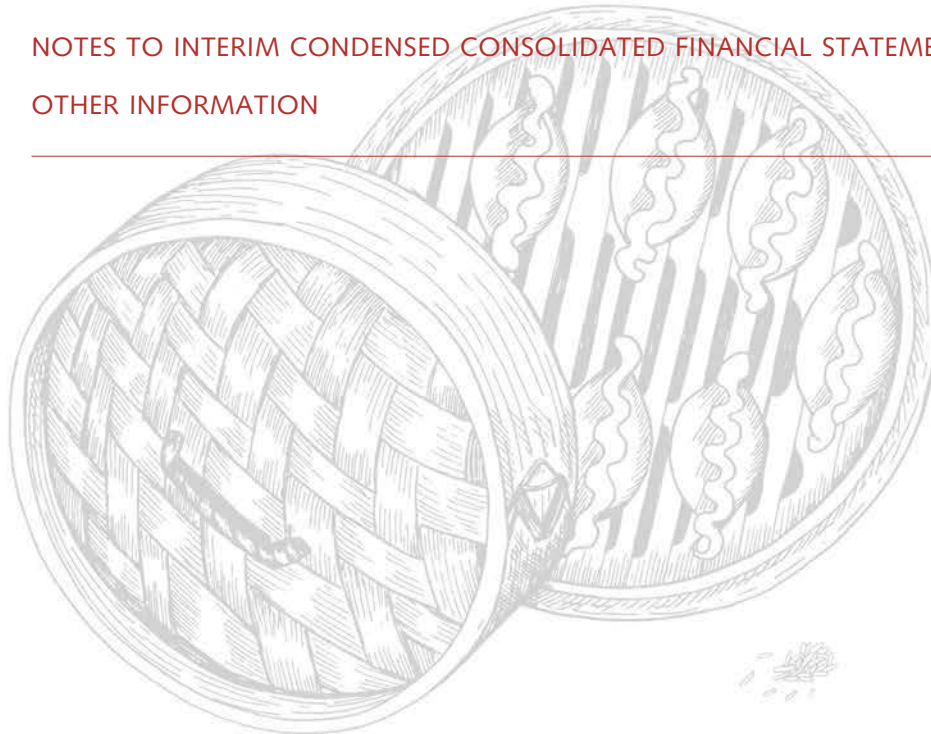
Interim **2017** Report

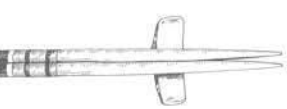




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■ Corporate Information

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

Independent Non-executive Directors

Dr. Wu Chun Wah
Mr. Lui Wai Ming
Mr. Lin Lijun

COMPANY SECRETARY

Ms. Mok Ming Wai

AUTHORIZED REPRESENTATIVES

Ms. Wang Huimin
Ms. Zhu Xiaoxia

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

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The People's Republic of China

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Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

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Cayman Islands

AUDITOR

Ernst & Young
Certified Public Accountants
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Central, Hong Kong

STOCK CODE

03666

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www.tanshglobal.com

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Ms. Xia Hongye
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■ Financial Highlights

	Six months ended 30 June		% Change Increase/ (decrease)
	2017 (unaudited)	2016 (unaudited)	
Revenue (RMB'000)	942,914	1,004,431	(6.1%)
Gross profit ¹ (RMB'000)	690,333	709,851	(2.7%)
Gross margin ²	73.2%	70.7%	2.5%
Profit for the period (RMB'000)	30,687	10,656	188.0%
Net profit margin ³	3.3%	1.1%	2.2%
Earnings per share – Basic	RMB1.41 cents	RMB0.73 cents	
Number of restaurants (as at 30 June) ⁴	124	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 divided by revenue.
- 4 The number of restaurants included the 25 stores of Million Rank (HK) Limited (“**Million Rank (HK)**”) and excluded Mai Chi Ling licenced stores.



Management Discussion and Analysis ■

INDUSTRY REVIEW

In the first half of 2017, a growth of national food and beverage revenue was flat from a year earlier. According to the data released by the National Bureau of Statistics, during the first half of 2017, total national food and beverage revenue amounted to RMB1,854.6 billion, representing an increase of 11.2% compared with the same period of 2016, while the leading edge in terms of growth rate of revenue of the catering enterprises above designated size continued to extend and reach 1.8 percentage points. In addition, catering brands were playing a more significant role in leadership and promotion.

In March 2017, The Ministry of Commerce issued the “Guiding Opinions of the Ministry of Commerce of the People’s Republic of China, on Promoting the Transformation and Development of the Catering Industry”. The aim of the initiative was to cultivate a number of chain and branded catering business, and to form the layout of development featuring a focus on popularized catering service, reasonable regional distribution, synergy between urban and rural areas, harmonized development of various business segments, as well as the catering service system designed to meet the multi-layer and diversified needs of consumption in 5 years. Driven by general demands, the catering market was following a new development trend characterized by the noticeable emergence of casual meals and coffee snacks as well as hot item/highly popular product model. As a result, the entire industry has witnessed new development vitality and continued the depth, refinement of the direction of extension.

So far in 2017, the growth rate and business scope of catering take-away reached a new peak, which shows that a larger number of people in China have changed their consumption habits and take-away has already become a conventional dining style. According to the data predicted by a well-known take-away website, the scale of take-away market transactions will continue to increase by a high growth rate, which is expected to exceed RMB700 billion by 2020. In addition to the influence on the traditional catering market by O2O business (Online to Offline mode), the mode of catering retail makes a deeper multi-industry impact on the competitive market.

FINANCIAL PERFORMANCE

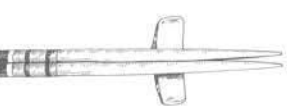
By the end of 30 June 2017, TANSI Global Food Group Co., Ltd (the “**Company**” and its subsidiaries, collectively the “**Group**”) had some achievements in a competitive and challenging market environment. In the first half of 2017, the net profit was RMB30.7 million, representing an increase of approximately RMB20.0 million in profit over the same period in 2016, which represents a growth rate of 188.0% and gross profit margin increased by 2.5% over the same period of last year.

BUSINESS REVIEW

In the first half of 2017, the Company persists in taking a comprehensive approach to the strategic upgrading and transformation, and achieved certain results in the aspects of rebuilding the supply chain system, formation of light asset brand profit model as well as organizational efficiency reform and mechanism innovation. Major initiatives adopted in the first half of 2017 are set out below:

Assigned strategic resources coordination in supply chain

The advantage continued effected due to the strengthened cooperation with Shanghai Zhongmin Supply Chain Management Co., Ltd (上海眾敏供應鏈管理有限公司) (“**Zhongmin Supply Chain**”). In addition, it is also affected by the outsourced of central factory and the reform program of the national government which is to replace the business tax with value-added tax. Direct stores costs and supply chain costs are continually optimized and controlled. The cost of sale ratio was reduced from 29.3% in the first half of 2016 to 26.8% in the same period in 2017.



■ Management Discussion and Analysis

Light asset model incubation tend towards more mature

The Company's asset-lite brands which has been incubated mature represented by the brand "the dining room", is going to more steady in respect of the profit model. As of the first half of 2017, the revenue of "the dining room" brand restaurant increased by 9.5% over the same period in 2016, and the same store revenue increased over the same period. Store operating profit of "the dining room" increased by 268.3% year on year. (The above data all included the O2O business). It is fully indicating that the brand "the dining room" has formed a mass productions profit pattern.

The active partnership incentive mechanism reform further expanded and achieved remarkable results

The incentive mechanism of active partnership that the Company launched in 2016 has achieved some initial results. In the first half of 2017, the Company mainly promoted this mechanism in Mainland China stores except Beijing and Shanghai areas which required the sharing of risk responsibilities and results. As of 30 June 2017, owing to the reform of this mechanism, the operating profit increased by RMB11.3 million over the same period in 2016.

Organizational functions are streamlined and deepened to effectively reduce the management costs of the headquarter

In the first half of 2017, the Company continued to deepen the reform of flat management and market-oriented of headquarter and strictly controlled the management expenses budget of headquarter. The administrative expenses decreased by RMB3.0 million or representing a decrease of 4.0% in the first half of 2017 as compared to the corresponding period of last year.

FUTURE OUTLOOK

With the advent of a comprehensive upgrade of consumption, China's catering industry has entered an important period of industrial restructuring; "new catering" will profoundly affect the future business forms of food and beverage industry. Currently, public catering, good quality take-away, international top-tier brand, industry scarce resources, high-growth single products/highly popular product have become important breakthroughs of the developments of catering enterprises.

On 2 August 2017, the Company issued an announcement on the Stock Exchange declaring that the Group was strategically renamed to the TANSI Global Food Group Co., Ltd, which will apply "Food is primary necessity. Let people enjoy the happiness of delicious food" as a new mission, to complete the strategic transformation from a multi-brand restaurant management enterprise to an integrated platform of brand development in catering industry. In the second half of 2017, under the leadership of Ms. Wang Huimin, the Company will stick at focusing on three core business developments which are the integration development of brand catering, brand take-away and branded products. The Company will committee to collaborating with strategic partners to jointly build the catering industry chassis, restructuring the core competitiveness of Company and sustained profitability. The Company will continue to pursue strategic transformation, performing in accordance with the following strategies:



Incubating mature brand and leveraging joint development

In the second half of 2017, the Group will take its own brand “the dining room” that has incubated mature as the key object of expansion and joint development, increase the investment of direct stores in core cities in Mainland China, as well as the incubation and cultivation of lighter mode of the brand. At the same time, the Group will utilize the third-party resources to develop the third-party franchise business through the main output model which is “brand + supply chain” and speed up the large scale expansion of “the dining room” and the other derivative brands.

The Company will also cooperate with introduced brand POKKA café and the international brands Wolfgang Puck and Oreno to establish strategic business model and business development mode which are more in line with the development trend of China’s catering industry. In the first half of 2017, the Group introduced a Japan’s well-known chain of coffee brand DOUTOR. The Company will start the development plan of the cafe brand in the second half of the year.

New businesses layout of brand take-away and branded goods

In the first half of the year, the Company cooperated with several well-known Internet take-away platforms in China, and completed the network distribution which is represented by the “ShanghaiMin” and “the dining room” direct stores and brand take-away product optimization. It is expected that the revenue of the Company will be significantly increase due to the incremental factors of business via the above strategy in the future.

At the same time, the Company has emerged some branded goods by independent research and development such as “Jia Yan” and “Zhu Hao Mian”, and the company is going to sell these products through the whole network terminal stores and online and offline sales channel such as new retail supermarkets, third-party resource channels. It is believed that this business will bring visible increments for the profit in the future.

The use of strategic empowerment resources, vertical construction industry supply chain advantages

The Company announced on 19 July 2017 a strategic cooperation intention with Japan’s largest food distribution company NIPPON ACCESS, INC as well as Zhongmin Supply Chain Limited. Through advanced technology and experience in the field of food circulation of NIPPON ACCESS, INC, the Company can further enhance their abilities on supply chain management as well as research and development.

At the same time, the Company will continue to maintain the advantages of vertical research and development of standard products with Zhongmin Supply Chain platform. The Company can cooperate with some factories which can make standardized products, and it will improve products’ quality and differentiation competitiveness, so as to reduce supply chain cost and strengthen the exporting capacity of brands and supply chain, consequently it can explore multi-dimensional profit competitiveness.

Make full use of product standard advantage, start operating efficiency optimization reform

In the second half of 2017, after the full usage of standardized products and substantial simplification on Stock Keeping Unit (SKU) field in “Shanghai Min” and “the dining room”, the company will comprehensively deepen the reform of the kitchen. Mainly through the contraction of kitchen area, importing advanced equipment, simplifying the types of work in kitchen, business process reform, standard operating processing precision and other measures, the Company will be committed to optimizing the store and human efficiency, and fully making the fine kitchen management.

FINANCIAL REVIEW

The Group's revenue for the first half of 2017 was RMB942.9 million and its gross profit during the period was RMB690.3 million, mainly due to declining costs brought by the increase in performance and supply chain reform of multi-brand strategic incubation in the first half of 2017. Net profit for the first half of 2017 was approximately RMB30.7 million, representing an increase of approximately RMB20.0 million from approximately RMB10.7 million in the corresponding period in 2016. As at 30 June 2017, the Group had total assets of RMB1,627.2 million.

As at 30 June 2017, the Group operated a restaurant network of 69 Shanghai Min restaurants, 3 Maison De L'Hui restaurants, 22 the dining room restaurants, 2 Oreno restaurants, 2 Wolfgang Puck restaurants, 1 The Boathouse restaurant and 25 restaurants under Million Rank (HK) brands, which covers some of the most affluent and fast-growing cities in China (Note(i)), 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, for the six months ended 30 June 2017 and 2016, respectively.

	For the six months ended 30 June			
	2017	Revenue	2016	Revenue
	Number of restaurants	RMB'000 (unaudited)	Number of restaurants	RMB'000 (unaudited)
China (Note (i))				
– Shanghai Min	62	533,586	69	571,696
– Maison De L'Hui	3	33,446	3	30,122
– the dining room	16	62,708	17	50,448
– Oreno	1	10,244	1	11,785
– Wolfgang Puck	2	18,073	2	12,443
– The Boathouse	1	3,202	1	1,137
Hong Kong				
– Shanghai Min	7	68,882	8	83,283
– the dining room	6	50,404	6	61,780
– Oreno	1	6,136	1	11,780
– Million Rank (HK) Brands (Note (ii))	24	133,149	28	144,536
Macau				
– Shanghai Min	–	–	–	4,273
– the dining room	–	–	–	811
– Million Rank (HK) Brands (Note (ii))	1	6,801	1	6,811
Total revenue of restaurant operations	124	926,631	137	990,905
Other revenue		16,283		13,526
Total revenue		942,914		1,004,431

Notes

- (i) The People's Republic of China (the "PRC"), which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan.
- (ii) Million Rank (HK) brand stores include 25 stores under 9 brands such as POKKA Café, Tonkichi in Hong Kong and Macau.



REVENUE

Revenue of the Group decreased by RMB61.5 million, or 6.1% from RMB1,004.4 million for the six months ended 30 June 2016 to RMB942.9 million for the six months ended 30 June 2017. This decrease was due to the Group's light asset strategy that contracted the number of stores during the period. At the same time, the gross profit margin of the Group as of 30 June 2017 was 73.2%, representing an increase of 2.5%, compared with 70.7% of the corresponding period in 2016.

Total revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB64.3 million, from RMB990.9 million for the six months ended 30 June 2016 to RMB926.6 million for the six months ended 30 June 2017, primarily reflecting:

- Due to the relocation, adjustment or closing stores of Shanghai Min in China, the number of stores of Shanghai Min was reduced by 7 as of 30 June 2017, which resulted in a decrease in revenue of RMB38.1 million;
- For the six months ended 30 June 2017, the revenue of the dining room in Hong Kong decreased by RMB11.4 million, which was mainly due to the fact that the 2 stores of the dining room closed and the 2 stores of the dining rooms in Hong Kong which were newly opened and started operating since June 2017, and have not yet generated revenue;
- Shanghai Min and the dining room in Macau were disposed at the end of February 2016, which caused a decrease of revenue of RMB5.1 million.

Other revenue

Other revenue represents an increase by RMB2.8 million, from RMB13.5 million for the six months ended 30 June 2016 to RMB16.3 million for the six months ended 30 June 2017. Other revenue are mainly comprised of Mai Chi Ling income, value-added goods sales and O2O take-away revenue.

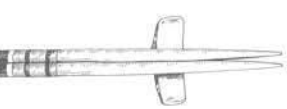
COST OF SALES AND INVENTORY

The cost of sales decreased by RMB42.0 million, from RMB294.6 million for the six months ended 30 June 2016 to RMB252.6 million, or 14.3% for the six months ended 30 June 2017.

The cost of sales representing the proportion of revenue decreased by 2.5% from 29.3% for the six months ended 30 June 2016 to 26.8% for the six months ended 30 June 2017, which primarily due to the strategic cooperation advantages as a result of cooperation between the Group and Zhongmin Supply Chain platform, which resulted in the decrease of cost of bulk purchase, and additionally, the strengthening of the menu optimization and the improvement of business cooperation model by the Group further optimized the inventory.

The inventory decreased by RMB9.1 million, or 24.4% from RMB37.5 million on 30 June 2016 to RMB28.4 million on 30 June 2017.

The inventory turnover days decreased by 5.7 days from 29.5 days for the six months ended 30 June 2016 to 23.8 days for the six months ended 30 June 2017.



■ Management Discussion and Analysis

OTHER INCOME AND GAINS

Other income and gains decreased by RMB9.6 million, from RMB22.1 million for the six months ended 30 June 2016 to RMB12.5 million for the six months ended 30 June 2017, which was mainly due to the decreasing subsidy from the reform of turnover tax in Mainland China.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by RMB48.6 million, or 7.8% from RMB623.8 million for the six months ended 30 June 2016 to RMB575.2 million for the six months ended 30 June 2017. Selling and distribution expenses was mainly comprised of the labor costs, rental costs and depreciation expenses in relation to restaurants.

Labor costs decreased by RMB14.5 million, or 5.8% from RMB248.2 million for the six months ended 30 June 2016 to RMB233.7 million for the six months ended 30 June 2017. The labor costs representing the proportion of revenue increased from 24.7% for the six months ended 30 June 2016 to 24.8% for the six months ended 30 June 2017, which was mainly due to the reform of staff streamlining and efficiency optimization.

Rental costs decreased by RMB6.4 million, or 3.5% from RMB184.5 million for the six months ended 30 June 2016 to RMB178.1 million for the six months ended 30 June 2017 as a result of decrease in the number of stores. The rental costs representing the proportion of revenue increased from 18.4% for the six months ended 30 June 2016 to 18.9% for the six months ended 30 June 2017.

Depreciation expenses decreased by RMB3.5 million, or 4.6% from RMB76.1 million for the six months ended 30 June 2016 to RMB72.6 million for the six months ended 30 June 2017. The depreciation expenses representing the proportion of the revenue increased from 7.6% for the six months ended 30 June 2016 to 7.7% for the six months ended 30 June 2017.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by RMB3.0 million, or 4.0% from RMB75.3 million for the six months ended 30 June 2016 to RMB72.3 million for the six months ended 30 June 2017 which is mainly due to the Company's reform of flat management and institutional streamlining on headquarter management function.

INCOME TAX EXPENSE

For the six months ended 30 June 2017, income tax expenses was RMB11.6 million, with an income tax rate of 27.4%, representing a decrease of 15.2% as compared to 42.6% for the six months ended 30 June 2016.

PROFIT FOR THE PERIOD

As a result of the foregoing, the profit for the period of the Group increased by RMB20.0 million, or 188.0% from RMB10.7 million for the six months ended 30 June 2016 to RMB30.7 million for the six months ended 30 June 2017. Net profit margin increased from 1.1% for the six months ended 30 June 2016 to 3.3% for the six months ended 30 June 2017.

DIVIDENDS PAYABLE

For the six months ended 30 June 2017, the Group did not pay any dividends. As at 30 June 2017, there were no outstanding dividends payable.

LIQUIDITY, CAPITAL RESOURCES AND CASH FLOW

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

As at 30 June 2017, the gearing ratio was 36.2%, and the ratio was 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.

For the six months ended 30 June 2017, the Group had net cash inflows generated from operating activities of RMB12.1 million (for the six months ended 30 June 2016: RMB32.2 million). As at 30 June 2017, the Group had RMB131.5 million in cash and cash equivalents (30 June 2016: RMB184.9 million). The following table sets out certain information regarding the consolidated cash flows for the periods ended 30 June 2017 and 2016.

	For the six months ended 30 June	
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Net cash flows generated from operating activities	12,130	32,225
Net cash flows used in investing activities	(122,718)	(98,607)
Net cash flows generated from financing activities	11,009	84,367
Net (decrease)/increase in cash and cash equivalents	(99,579)	17,985
Cash and cash equivalents at the beginning of the period	233,390	169,024
Effect on the net fluctuation foreign exchange rate	(2,278)	(2,118)
Cash and cash equivalents at the end of the period	131,533	184,891

OPERATING ACTIVITIES

Net cash inflow generated from operating activities decreased by RMB20.1 million, from RMB32.2 million for the six months ended 30 June 2016 to RMB12.1 million for the six months ended 30 June 2017. That was mainly attributable to the centralized procurement for the second half year by the Group in June.

INVESTING ACTIVITIES

For the six months ended 30 June 2017, net cash outflow used in investing activities was RMB122.7 million, and RMB98.6 million for the same period in 2016. The increase was mainly due to the balance payment from the acquisition transaction of the 9.82% interests in JMU Limited (formerly known as Wowo Limited) in 2016.

FINANCING ACTIVITIES

Net cash flow generated from financing activities decreased by RMB73.4 million from a cash inflow of RMB84.4 million for the six months ended 30 June 2016 to a cash inflow of RMB11.0 million for the six months ended 30 June 2017.

FOREIGN CURRENCY EXPOSURE

None of the Group's sales or purchases for the periods ended 30 June 2017 and 30 June 2016 is denominated in currencies other than the functional currency of the relevant subsidiaries. The Group's exposure to the risk of changes in foreign exchange rates is generated when loans are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group, the Group has minimal exposure to foreign exchange risk.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2017 and 31 December 2016.

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:

	2017 30 June RMB'000 (unaudited)	2016 31 December RMB'000 (unaudited)
Within one year	309,195	278,423
In the second to fifth years, inclusive	696,152	795,232
After five years	153,142	269,748
	1,158,489	1,343,403

CAPITAL COMMITMENT

Capital commitments were approximately RMB13.2 million and RMB29.5 million respectively as at 30 June 2017 and 31 December 2016.

PLEDGE OF GROUP ASSETS

As at 30 June 2017, the interest-bearing bank loans of the Group was RMB421.7 million, of which bank loans of HK\$159.0 million (equivalent to RMB138.0 million) were secured by the pledge of fixed deposits of RMB152.0 million. The entrust bank loan of RMB99.0 million was borrowed from Bank of Shanghai by the Group and was secured by the controlling shareholder, Ms. Wang Huimin, the Company and the three subsidiaries of the Company as well as the operating income right of the Group in respect of four restaurants located in Shanghai Disney Resort. The bank loans of the Group in respect of Million Rank (HK) amounted to RMB41.4 million and were secured by mortgages over a building of Million Rank (HK).



MATERIAL ACQUISITION AND DISPOSAL

For the six months ended 30 June 2017, there were no material acquisitions and disposals of subsidiaries or associated companies.

HUMAN RESOURCES

The salary level of employees in the restaurant industry in China has been generally increasing in recent years. Employee attrition levels tend to be higher in the food services industry than in other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 30 June 2017, the Group recruited about 3,679 employees in China, Hong Kong and other regions. For the six months ended 30 June 2017, total staff cost was RMB272.1 million (for the six months ended 30 June 2016: RMB290.3 million), which was mainly due to the flat management structure of store operation, and the optimized reform of the kitchen structure.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

No important event affecting the operation, finance and future prospect of the Group from 30 June 2017 to the date of this report.

Interim Condensed Consolidated Statement of Profit or Loss

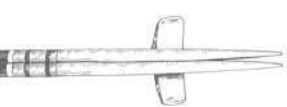
Six-month period ended 30 June 2017

	Notes	Six-month period ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
REVENUE	4	942,914	1,004,431
Cost of sales		(252,581)	(294,580)
Gross profit		690,333	709,851
Other income and gains	4	12,489	22,111
Selling and distribution expenses		(575,196)	(623,805)
Administrative expenses		(72,253)	(75,293)
Other expenses		(5,229)	(9,551)
Finance costs	6	(7,877)	(4,741)
PROFIT BEFORE TAX	5	42,267	18,572
Income tax expense	7	(11,580)	(7,916)
PROFIT FOR THE PERIOD		30,687	10,656
Attributable to:			
Owners of the Company		31,101	10,802
Non-controlling interests		(414)	(146)
		30,687	10,656
Earnings per share attributable to ordinary equity holders of the Company			
– Basic	9	RMB1.41 cents	RMB0.73 cents
– Diluted	9	RMB1.41 cents	RMB0.73 cents

Interim Condensed Consolidated Statement of Comprehensive Income

Six-month period ended 30 June 2017

	Six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	30,687	10,656
OTHER COMPREHENSIVE LOSS		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(14,508)	1,087
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(14,508)	1,087
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated as fair value through other comprehensive loss:		
Changes in fair value	(79,860)	(1,128)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(79,860)	(1,128)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(94,368)	(41)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(63,681)	10,615
Attributable to:		
Owners of the Company	(63,267)	10,761
Non-controlling interests	(414)	(146)
	(63,681)	10,615



■ Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	606,420	675,545
Goodwill		13,129	13,532
Intangible assets		41,226	43,707
Non-current financial assets		134,204	224,470
Long-term rental deposits		107,573	107,379
Deferred tax assets		78,980	80,407
Pledged deposits	14	40,000	40,000
Loan to a non-controlling interest shareholder		46,086	47,498
Other long-term receivables		25,169	30,413
Total non-current assets		1,092,787	1,262,951
CURRENT ASSETS			
Inventories	11	28,369	37,509
Trade receivables	12	20,086	26,654
Prepayments, deposits and other receivables	13	242,192	205,039
Financial asset at fair value through profit or loss		235	242
Pledged deposits	14	112,000	20,000
Cash and cash equivalents	14	131,533	233,390
Total current assets		534,415	522,834
CURRENT LIABILITIES			
Trade payables	15	54,035	66,841
Interest-bearing bank loans	16	386,871	203,532
Income tax payable		25,595	21,365
Other payables and accruals	17	125,898	277,372
Deferred income		2,586	3,478
Total current liabilities		594,985	572,588
NET CURRENT LIABILITIES		(60,570)	(49,754)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,032,217	1,213,197

Interim Condensed Consolidated Statement of Financial Position

30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Long-term defer payment		25,169	30,413
Long-term payables		73,499	81,578
Interest-bearing bank loans	16	34,788	138,283
Deferred tax liabilities		–	481
Total non-current liabilities		133,456	250,755
Net assets		898,761	962,442
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	18,393	18,393
Reserves		808,671	871,938
		827,064	890,331
Non-controlling interests		71,697	72,111
Total equity		898,761	962,442

Interim Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2017

	Attributable to owners of the Company												Total equity RMB'000	
	Notes	Issued Capital RMB'000 (Note 18)	Share premium RMB'000 (Note 18)	Capital redemption reserve RMB'000 (Note 18)	Capital reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Financial asset revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000		Non- controlling interests RMB'000
As of 1 January 2017		18,393	723,842	27	57,677	(69,246)	14,059	7,216	23,004	(120,886)	236,245	890,331	72,111	962,442
Profit for the period		-	-	-	-	-	-	-	-	-	31,101	31,101	(414)	30,687
Other comprehensive income for the period:														
Changes in fair value of financial assets, net of tax		-	-	-	-	-	-	-	-	(79,860)	-	(79,860)	-	(79,860)
Exchange differences related to foreign operations		-	-	-	-	-	-	(14,508)	-	-	-	(14,508)	-	(14,508)
Total comprehensive income for the period		-	-	-	-	-	-	(14,508)	-	(79,860)	31,101	(63,267)	(414)	(63,681)
Equity-settled share option arrangements	19	-	-	-	-	-	-	-	-	-	-	-	-	-
As of 30 June 2017 (unaudited)		18,393	723,842	27	57,677	(69,246)	14,059	(7,292)	23,004	(200,746)	267,346	827,064	71,697	898,761

	Attributable to owners of the Company												Total equity RMB'000	
	Notes	Issued capital RMB'000 (Note 18)	Share premium RMB'000 (Note 18)	Capital redemption reserve RMB'000 (Note 18)	Capital reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Financial assets revaluation 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)	13,836	(12,597)	20,004	2,042	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 financial assets, net of tax		-	-	-	-	-	-	-	-	(1,128)	-	(1,128)	-	(1,128)
Exchange differences related to foreign operations		-	-	-	-	-	-	1,087	-	-	-	1,087	-	1,087
Total comprehensive income for the period		-	-	-	-	-	-	1,087	-	(1,128)	10,802	10,761	(146)	10,615
Disposal of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	56	56
Appropriation for reserve funds		-	-	-	-	-	291	-	-	-	(291)	-	-	-
Equity-settled share option arrangements	19	-	-	-	-	-	-	-	1,750	-	-	1,750	-	1,750
As of 30 June 2016 (unaudited)		12,035	472,827	27	59,478	(69,246)	14,127	(11,510)	21,754	914	212,004	712,410	70,893	783,303

Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2017

	Notes	Six-month period ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Cash flows from operating activities			
Profit before tax:		42,267	18,572
Adjustments for:			
Finance costs	6	7,877	4,741
Interest income	4	(2,282)	(2,050)
Dividend income from non-current financial assets	4	(400)	(400)
Depreciation	10	75,162	82,894
Amortisation of intangible assets		1,517	1,478
Loss on disposal of a subsidiary		–	2,621
Loss on disposal of items of property, plant and equipment		2,540	6,810
Equity-settled share option expense	19	–	1,750
		126,681	116,416
Decrease in inventories		9,140	15,675
Decrease in trade receivables		6,568	869
Increase in prepayments, deposits and other receivables		(61,325)	(71,059)
Decrease in trade payables		(12,806)	(4,115)
Decrease in other payables and accruals		(41,154)	(27,107)
Increase in long-term rental deposits		(194)	(3,914)
(Decrease)/increase in long-term payables		(7,991)	14,814
Decrease in deferred income		(892)	(1,743)
		18,027	39,836
Income tax paid		(5,897)	(7,611)
		12,130	32,225
Cash flows used in investing activities			
Purchases of items of property, plant and equipment		(17,755)	(99,572)
Proceeds from sale of property, plant and equipment		1,000	–
Payment for acquisition of a subsidiary		(3,542)	(1,710)
Disposal of a subsidiary		–	625
Purchase of non-current financial assets		(104,703)	–
Interest received		2,282	2,050
		(122,718)	(98,607)

Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2017

	Notes	Six-month period ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Cash flows from financing activities			
Proceeds from issue of shares		27,978	–
(Increase)/decrease in pledged time deposits		(92,000)	20,000
Repayment of bank loans		(101,428)	(109,892)
Proceeds from new bank loans		184,336	179,000
Interest paid		(7,877)	(4,741)
Net cash generated from financing activities		11,009	84,367
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		233,390	169,024
Effect of foreign exchange rate changes, net		(2,278)	(2,118)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		131,533	184,891
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	131,533	169,852
Time deposits with maturity of less than three months, not pledged	14	–	15,039
Cash and cash equivalents as stated in the statement of cash flows		131,533	184,891



Notes To Interim Condensed Consolidated Financial Statements ■

30 June 2017

1. CORPORATE INFORMATION

TANSH Global Food Group Co., Ltd (formerly known as Xiao Nan Guo Restaurants Holdings Limited) is a limited liability company incorporated in the Cayman Islands. The registered address is located at the offices of Conyers 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 of the Company (the "**Directors**"), the holding company and the ultimate holding company of the Company is TANSH Global Food Group Co., Ltd, 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 2017 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 2017, the current liabilities of the Group exceeded its current assets by approximately RMB61 million. In the opinion of the Directors, the net current liability position was mainly caused by payment for remaining cash consideration of the acquisition transaction regarding the 9.82% interests in JMU Limited (formerly known as Wowo Limited) in 2016. The Directors have prepared these interim condensed consolidated financial statements on a going concern basis based on the cash flow which indicated the Group will generate sufficient operating cash inflows to meet its financial obligations when they fall due.

The interim condensed consolidated financial statements have been prepared under the historical cost convention except non-current financial assets and financial asset at fair value through profit or loss, which have been measured at fair value.

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 authorized for issue by the board of directors on 29 August 2017.

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 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 2016, except for the adoption of the revised International Financial Reporting Standards (“IFRSs”) and interpretations effective as of 1 January 2017, noted below:

Amendments to IAS 7	<i>Disclosure Initiative</i>
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to IFRS 12 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities</i>

The adoption of these 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.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers¹</i>
IFRS 16	<i>Leases²</i>
Amendments to IAS 40	<i>Transfers of Investment Property¹</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments²</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 1 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>First-time Adoption of International Financial Reporting Standards¹</i>
Amendments to IAS 28 included in <i>Annual Improvements 2014-2016 Cycle</i>	<i>Investments in Associates and Joint Ventures¹</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ 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 16 are unlikely to have a significant impact on the Group's results of operations and financial position. The Group expects to adopt IFRS 16 on 1 January 2019. 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

The Group has the following two reportable operating segments based on their brands and services:

- (a) TANSI Global Business (including main brands: Shanghai Min, Maison De L'Hui, the dining room, Oreno, Wolfgang Puck, The Boathouse and Mai Chi Ling)
- (b) Million Rank (HK) Business (the business acquired in January 2015 which includes 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, income 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 2017

3. OPERATING SEGMENT INFORMATION *(continued)*

Period ended 30 June 2017

	TANSH Global RMB'000 (unaudited)	Million Rank (HK) RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue			
Sales to external customers	800,782	142,132	942,914
Revenue from continuing operations			942,914
Segment results	50,891	27	50,918
<i>Reconciliation:</i>			
Elimination of intersegment results			31
Dividend income from non-current financial assets			400
Interest income			2,282
Finance costs			(7,877)
Corporate and other unallocated expenses			(3,487)
Profit before tax			42,267
Segment assets	790,727	502,224	1,292,951
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(28,497)
Corporate and other unallocated assets			362,748
Total assets			1,627,202
Segment liabilities	221,598	88,086	309,684
<i>Reconciliation:</i>			
Elimination of intersegment payables			(28,497)
Corporate and other unallocated liabilities			447,254
Total liabilities			728,441
Other segment information:			
Depreciation and amortization	68,206	8,473	76,679
Capital expenditure*	14,141	366	14,507

3. OPERATING SEGMENT INFORMATION *(continued)*

Period ended 30 June 2016

	TANSH Global RMB'000 (unaudited)	Million Rank (HK) RMB'000 (unaudited)	Total RMB'000 (unaudited)
Segment revenue			
Sales to external customers	853,084	151,347	1,004,431
Revenue from continuing operations			1,004,431
Segment results	28,211	(776)	27,435
<i>Reconciliation:</i>			
Elimination of intersegment results			29
Dividend income from non-current financial assets			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
Segment assets	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
Segment liabilities	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
Other segment information:			
Depreciation and amortization	72,945	11,427	84,372
Capital expenditure*	113,423	3,914	117,337

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

Notes To Interim Condensed Consolidated Financial Statements

30 June 2017

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mainland China	677,542	691,157
Hong Kong	258,571	301,379
Others	6,801	11,895
	942,914	1,004,431

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

(b) Non-current assets

	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Mainland China	533,398	593,265
Hong Kong	234,305	246,129
Others	645	769
	768,348	840,163

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 no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the six-month periods ended 30 June 2017 and 2016, segment information is not presented in accordance with IFRS 8 *Operating Segments*.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, net of taxes and surcharges.

An analysis of revenue, other income and gains is as follows:

	Six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Restaurant operations	926,631	990,905
Other revenue	16,283	13,526
	942,914	1,004,431
Other income		
Government grants	5,446	10,821
Compensation income for a store early terminated operation	–	4,900
Bank interest income	2,282	2,050
Membership fee income	2,182	1,983
Management fee	–	681
Dividend income from non-current financial assets	400	400
Foreign exchange differences	–	187
Others	2,179	1,089
	12,489	22,111

Notes To Interim Condensed Consolidated Financial Statements

30 June 2017

5. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories consumed	252,581	294,580
Depreciation	75,162	82,894
Amortisation of intangible assets	1,517	1,478
Minimum lease payments under operating lease on buildings	181,225	191,143
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	227,552	231,862
Equity-settled share option expense	–	1,750
Defined contribution pension scheme	44,596	56,657
	272,148	290,269
Bank interest income	(2,282)	(2,050)
Loss on disposal of a subsidiary	–	2,621
Loss on disposal of items of property, plant and equipment	2,540	6,810

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank loans	9,198	5,755
Less: Interest capitalised	(1,321)	(1,014)
	7,877	4,741

7. INCOME TAX

	Six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – Mainland China charged for the period	9,626	7,382
Current – Hong Kong and elsewhere charged for the period	502	2,490
Deferred tax	1,452	(1,956)
Total tax charge for the period	11,580	7,916

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the reporting 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 (“**CIT**”) Law, the applicable income tax rates for both domestic and foreign investment enterprises in the People’s Republic of China (the “**PRC**” or “**China**”) are unified at 25%.

According to the Macau Complementary Tax (“**MCT**”) Law, taxable profits below MOP600,000 are exempted from tax, and taxable profits over MOP600,000 are subject to the rate of 12%.

8. DIVIDENDS

No interim dividend was proposed during the six-month period ended 30 June 2017. No final and interim dividend was declared in 2016.

Notes To Interim Condensed Consolidated Financial Statements

30 June 2017

9. 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 ordinary equity holders of the Company and weighted average number of ordinary shares of 1,473,792,975 in issue throughout the period, as adjusted to reflect the bonus element of 737,677,000 rights issue on 18 July 2016.

The calculation of basic earnings per share for the six-month period ended 30 June 2017 is based on the consolidated profit attributable to ordinary equity holders of the Company and weighted average number of ordinary shares of 2,205,531,000 in issue throughout the period.

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 weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average 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	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	31,101	10,802
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	2,205,531,000	1,473,792,975
Effect of dilution – weighted average number of ordinary shares**: Share options	–	–
Number of ordinary shares used in the diluted earnings per share calculation	2,205,531,000	1,473,792,975

* 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 reporting period, there was no dilutive effect as of 30 June 2017.

10. 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
30 June 2017						
At 31 December 2016 and 1 January 2017 (audited):						
Cost	83,234	1,052,985	298,965	7,647	9,417	1,452,248
Accumulated depreciation	(5,193)	(522,702)	(201,761)	(4,791)	–	(734,447)
Impairment	–	(33,305)	(8,951)	–	–	(42,256)
Net carrying amount	78,041	496,978	88,253	2,856	9,417	675,545
At 1 January 2017, net of accumulated depreciation and impairment (audited)	78,041	496,978	88,253	2,856	9,417	675,545
Additions	–	7,334	6,009	–	1,164	14,507
Depreciation provided during the period	(1,217)	(53,422)	(20,240)	(283)	–	(75,162)
Disposal	–	(6,611)	(3,243)	–	–	(9,854)
Impairment	–	4,945	1,369	–	–	6,314
Transfers	–	1,190	–	–	(1,190)	–
Exchange realignment	(2,302)	(2,021)	(573)	(34)	–	(4,930)
At 30 June 2017, net of accumulated depreciation and impairment (unaudited)	74,522	448,393	71,575	2,539	9,391	606,420
At 30 June 2017 (unaudited):						
Cost	80,759	1,033,017	293,801	8,540	9,391	1,425,508
Accumulated depreciation	(6,237)	(556,466)	(214,684)	(6,001)	–	(783,388)
Impairment	–	(28,158)	(7,542)	–	–	(35,700)
Net carrying amount	74,522	448,393	71,575	2,539	9,391	606,420

Notes To Interim Condensed Consolidated Financial Statements

30 June 2017

10. 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
30 June 2016						
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)
Net carrying amount	75,597	529,272	105,786	2,497	8,560	721,712
At 1 January 2016, net of accumulated depreciation and impairment (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	–	11,432	3,143	–	–	14,575
Transfers	–	41,862	7,564	–	(49,426)	–
Exchange realignment	1,439	1,402	547	21	–	3,409
At 30 June 2016, net of accumulated depreciation and impairment (unaudited)	75,808	558,938	104,917	3,169	2,894	745,726
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)
Net carrying amount	75,808	558,938	104,917	3,169	2,894	745,726

At 30 June 2017, the building of Million Rank (HK) Limited, of which the Company indirectly holds 65% equity interest, was pledged to secure bank loans granted to Million Rank (HK) Limited (Note 16(c)).

As at 30 June 2017 the balance of impairment provision was RMB35,700,000, which included RMB6,314,000 that has been written off during the period ended 30 June 2017 with disposed (31 December 2016: RMB37,852,000), no impairment provision was reversed in the period ended 30 June 2017 (31 December 2016: RMB2,666,000) and no impairment provision was recognised in the period ended 30 June 2017 (31 December 2016: RMB4,685,000).

11. INVENTORIES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Food and beverages, and other operating items for restaurant operations, at cost	28,369	37,509

12. 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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 1 month	14,091	18,307
1 to 2 months	1,374	2,792
2 to 3 months	338	1,030
Over 3 months	4,283	4,525
	20,086	26,654

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.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Deposits and other receivables		95,021	110,081
Prepaid expense		21,840	22,761
Amount due from companies owned by the Controlling Shareholder		59,650	50,110
Amount due from a director of major subsidiaries in Hong Kong		54	319
Receivables from a non-controlling interest	(i)	12,047	7,914
Prepayments		53,580	13,854
		242,192	205,039

- (i) The balance of receivables from a non-controlling interest consisted of the current portion of long-term receivables with amount of RMB9,457,000 (31 December 2016: RMB5,367,000), the interest receivables of the loan to non-controlling interest with amount of RMB2,501,000 (31 December 2016: RMB2,037,000) and other short-term receivables.

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.

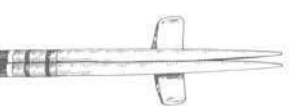
14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Cash and bank balances	131,533	219,737
Time deposits with original maturity of less than three months	112,000	33,653
Time deposits with original maturity of over three months	40,000	40,000
	283,533	293,390
Less: Pledged time deposits for bank loans*:		
– Current portion	(112,000)	(20,000)
– Non-current portion	(40,000)	(40,000)
Cash and cash equivalents	131,533	233,390

* Time deposits of RMB152,000,000 were pledged for bank loans of RMB137,996,000 borrowed by the Group, for details please refer to Note 16(b).

The cash and bank balances and time deposits of the Group subsidiaries in Mainland China denominated in Renminbi (“RMB”) amounted to RMB252,115,000 and RMB254,862,000 as at 30 June 2017 and 31 December 2016, 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 short-term deposits are deposited with creditworthy banks with no recent history of default.



Notes To Interim Condensed Consolidated Financial Statements

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15. TRADE PAYABLES

An aging 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 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 3 months	49,497	62,400
3 months to 1 year	3,464	2,048
Over 1 year	1,074	2,393
	54,035	66,841

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

16. INTEREST-BEARING BANK LOANS

	30 June 2017			31 December 2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	5.00	2018	80,000	4.79	2017	80,000
Bank loans – secured	–	–	–	4.35	2017	18,000
Bank loans – secured (a)	7.95	2018	99,000	–	–	–
Bank loans – unsecured	Libor+1.50	2017	63,222	COF+1.00	2017	62,000
Bank loans – secured (b)	Hibor+2.30	2017	35,584	Hibor+2.30	2017	36,675
Bank loans – secured (b)	Hibor+1.25	2017	102,412	–	–	–
Current portion of long term bank loans – secured (c)	Hibor+1.70	2018	2,314	Hibor+1.70	2017	2,385
Current portion of long term bank loans – secured (c)	Hibor+2.45	2018	4,339	Hibor+2.45	2017	4,472
			386,871			203,532
Non-current						
Bank loans – secured	–	–	–	7.95	2018	99,000
Bank loans – secured (c)	Hibor+1.70	2022	27,194	Hibor+1.70	2022	29,220
Bank loans – secured (c)	Hibor+2.45	2020	7,594	Hibor+2.45	2020	10,063
			34,788			138,283
			421,659			341,815
Analysed into:						
Bank loans repayable:						
Within one year or on demand			386,871			203,532
In the second year			6,654			99,000
In the third to fifth years, inclusive			28,134			39,283
			421,659			341,815

(a) The entrusted bank loan is borrowed from Wuhu Gefei Asset Management Co., Ltd. through Bank of Shanghai by the Group and are secured by the Controlling Shareholder, Ms. Wang Huimin, the Company and three subsidiaries of the Company as well as the operating income right of the Group's four restaurants located in Shanghai Disney Resort.

(b) The bank loans borrowed by the Company are secured by the pledge of certain of the Group's time deposits amounting to RMB152,000,000.

(c) The bank loans borrowed by Million Rank (HK) Limited are secured by Million Rank (HK) Limited's building, which had a net carrying value of approximately RMB74,522,000 at the end of the reporting period (31 December 2016: RMB78,041,000).

Notes To Interim Condensed Consolidated Financial Statements

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17. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Payroll and welfare payables	38,174	53,813
Taxes other than corporate income tax	516	4,177
Other payables for construction in progress	24,974	28,222
Accruals and other payables	55,636	73,292
Payable related to the acquisition of a non-current financial asset	–	105,906
Current portion of the long term defer payment	4,339	3,578
Advance from customers	2,259	8,384
	125,898	277,372

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

18. SHARE CAPITAL

Shares

	30 June 2017 RMB'000 (unaudited)	31 December 2016 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	2,213,031,000	2,213,031,000
Equivalent to RMB'000	18,393	18,393

18. SHARE CAPITAL (continued)

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

	Number of shares in issue	Nominal Value of shares RMB'000	Share premium account RMB'000	Capital redemption reserve RMB'000	Total RMB'000
At 1 January 2016	1,475,354,000	12,035	472,827	27	484,889
Shares issued (Note (b))	737,677,000	6,358	251,015	–	257,373
At 31 December 2016 and 30 June 2017	2,213,031,000	18,393	723,842	27	742,262

Notes:

- (a) Details of the Company's share option schemes and the share options issued under the schemes are included in Note 19 to the financial statements.
- (a) The Company announced to implement the rights issue (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 on 7 June 2016. The net proceeds raised from the Rights Issue will be used to pay the consideration of the acquisition of 9.82% of the issued share capital of JMU Limited (formerly known as Wowo Limited). On 18 July 2016, 737,677,000 rights shares have been issued, with net proceeds of HK\$298,611,000 (equivalent to RMB257,373,000). Immediately after completion of the Rights Issue, the total issued and fully paid shares of the Company was 2,213,031,000.

19. SHARE-BASED PAYMENTS

The Rights Issue of shares on the basis of one share for every two existing shares was completed on 18 July 2016. As a result of the completion of the Rights Issue, the Company made adjustments to the exercise price and the number of outstanding share options granted by the Company pursuant to the terms of the “Pre-IPO Share Option Schemes” and the “Share Option Scheme”. There are two pre-IPO share option schemes (the “**Pre-IPO Share Option Schemes**”) adopted by the Company on 10 February 2010 and 15 March 2011 (amended to 10 August 2011) and a share option scheme (“**the Share Option Scheme**”) adopted by the Company on 4 July 2012.

(1) Pre-IPO Share Option Schemes

Two 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 RMB0.99 or RMB1.09, RMB1.17 in total by the grantee after exercise price adjustment due to the Rights Issue (RMB1 or RMB1.1, RMB1.175 before the adjustment). 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.

The following share options were outstanding under the Pre-IPO Schemes during the six-month periods ended 30 June 2017 and 2016:

	Six-month period ended 30 June 2017	
	Weighted average exercise price per share RMB	Number of options '000
At 1 January 2017		21,808
Forfeited during the period	1.079	(364)
At 30 June 2017		21,444

19. SHARE-BASED PAYMENTS (continued)**(1) Pre-IPO Share Option Schemes (continued)**

	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

No share options under the Pre-IPO Share Option Scheme were exercised during the six-month periods ended 30 June 2017 and 2016.

The exercise prices and exercise periods of the share options under the Pre-IPO Schemes outstanding as at 30 June 2017 are as follows:

Number of options '000	Exercise price (after adjustment due to the Rights Issue) RMB per share	Exercise period
8,019	0.99	1 January 2012 to 11 February 2020
181	0.99	1 January 2012 to 21 June 2020
1,043	0.99	1 January 2012 to 1 September 2020
1,165	1.09	1 January 2012 to 15 December 2020
6	1.09	1 January 2012 to 26 January 2021
1,375	1.09	1 January 2012 to 22 March 2021
1,121	1.09	1 January 2012 to 22 March 2021
1,094	1.09	1 July 2012 to 1 July 2021
76	1.09	1 July 2012 to 1 July 2021
2,984	1.09	1 July 2012 to 12 August 2021
400	1.17	1 July 2012 to 12 August 2021
1,336	1.17	1 January 2013 to 15 January 2022
2,644	1.17	1 January 2013 to 15 May 2022
21,444		

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



19. SHARE-BASED PAYMENTS (continued)

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

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. 16,250,000 Compensation Shares have been transferred to the director in 2015. All the remaining shares have been repurchased and cancelled.

(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 exercise prices under this scheme were of HK\$0.99 or HK\$1.29, HK\$1.49 after exercise price adjustment due to the Rights Issue (HK\$1 or HK\$1.3, HK\$1.5 before the adjustment).

On 2 May 2017, the Company granted 85,000,000 options under the Share Option Scheme and the exercise price was HK\$0.50.

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

The following share options were outstanding under the Share Option Scheme during the six-month periods ended 30 June 2017 and 2016:

	Six-month period ended 30 June 2017	
	Weighted average exercise price per share HKD	Number of options '000
At 1 January 2017		30,422
Granted during the period	0.500	85,000
Forfeited during the period	1.313	(1,928)
At 30 June 2017		113,494

	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

No share options under the Pre-IPO Share Option Schemes were exercised during the six-month periods ended 30 June 2017 and 2016.

The exercise period of the share options granted commences after a vesting period of 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 Share Option Scheme, if earlier.

19. 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 2017 are as follows:

Number of options '000	Exercise price (after adjustment due to the Rights Issue) HKD per share	Exercise period
8,947	1.49	23 August 2013 to 22 August 2023
6,018	1.49	1 July 2015 to 29 June 2024
5,288	1.29	1 July 2015 to 29 June 2024
2,596	1.29	1 January 2016 to 31 December 2024
5,645	0.99	1 January 2016 to 31 December 2024
85,000	0.50	1 October 2017 to 1 May 2027
113,494		

The Group didn't recognise share option expenses under the Pre-IPO Schemes and the Share Option Scheme during the six-month period ended 30 June 2017 (six-month period ended 30 June 2016: RMB1,750,000).

As at 30 June 2017, the Company had 21,443,688 and 113,494,497 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 134,938,185 additional ordinary shares of the Company and additional share capital of RMB1,171,000 and share premium of RMB91,537,000 (before issue expense).

At the date of approval of these financial statements, the Company had 132,919,665 share options outstanding under the Pre-IPO Schemes and the Share Option Scheme, which represented approximately 6.0% of the Company's shares in issue as at that date.



20. 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 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	309,195	278,423
In the second to fifth years, inclusive	696,152	795,232
After five years	153,142	269,748
	1,158,489	1,343,403

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21. COMMITMENTS

In addition to the operating lease commitments detailed in Note 20, the Group had the following capital commitments at the end of the reporting period:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Contracted, but not provided for:		
Leasehold improvements	13,231	29,500

22. 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 periods:

		Six-month period ended 30 June	
	Notes	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Fee income from provision of food processing service	(i)	–	144
Property rental expense	(ii)	3,282	5,618
Integrated property management expense	(iii)	557	615
Purchase of goods and service	(iv)	58,208	12,810
Sales of goods and service	(v)	8,740	9,828
Commission paid for Pre-paid Cards	(vi)	329	368

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.



22. 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 periods: (continued)

Notes: (continued)

- (ii) 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. The group terminated the rental with Hongqiao XNG in 2017. During the period ended 30 June 2017, the actual rental charged by Hongqiao XNG was Nil (30 June 2016: 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 2017 was RMB1,488,000, with service fee included (30 June 2016: RMB1,470,000).

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 2017, the rental charged by Xiao Nan Guo (Group) Co., Ltd. was RMB1,794,000 (30 June 2016: RMB2,148,000).

- (iii) 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. During the period ended 30 June 2017, the management fee charged by Xiao Nan Guo (Group) Co., Ltd. was RMB557,000 (30 June 2016: RMB615,000).
- (iv) 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 and extended to 31 May 2019 on 22 July 2016. The Group has procured raw ingredients of RMB58,208,000 from Zhongmin Supply Chain during the six-month period ended 30 June 2017 (30 June 2016: RMB12,810,000). 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.
- (v) 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 RMB8,740,000 during the period ended 30 June 2017, which mainly based on the signed contracts before 31 December 2016, and the service is no longer renewed. (30 June 2016: RMB9,607,000).

The Group sold gift boxes to Xiao Nan Guo (Group) Co., Ltd. amounting to RMB221,000 based on market price during the period ended 30 June 2016. There was no transaction conducted during the six-month period ended 30 June 2017.

- (vi) The Group entered into a Pre-paid Cards Agreement in 2017 with Shanghai Huifeng Restaurant Management Co., Ltd (“**Shanghai Huifeng**”), which formerly known as Shanghai Xiao Nan Guo Enterprises Service Information Development Limited, 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 only available for sell and only be used at the Group's restaurants in PRC. The commission rate payable to Shanghai Huifeng shall be 1% of the actual dining expenses. The commission fee during the reporting period amounted to RMB329,000 (30 June 2016: RMB368,000), of a Pre-paid Card holder for every bill (before discount (if any)) at the Shanghai Min Restaurants.

22. 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) 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 2017 (30 June 2016: RMB99,000,000), as further detailed in note 16(a) to the financial statements.

(c) Outstanding balances with related parties

The amounts due from the Companies owned by the Controlling Shareholder are disclosed in note 13 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 13 to the financial statements.

(d) Compensation of key management personnel of the Group

	Six-month period ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	3,106	1,852
Equity-settled share-based payment	–	68
Total compensation paid to key management personnel	3,106	1,920

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.

23. 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 2017 (unaudited)

Financial assets

	Financial asset at fair value through profit or loss RMB'000	Non-current financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Non-current financial assets	–	134,204	–	134,204
Long-term rental deposits	–	–	107,573	107,573
Loan to a non-controlling shareholder	–	–	46,086	46,086
Other long-term receivables	–	–	25,169	25,169
Trade receivables	–	–	20,086	20,086
Financial assets included in prepayments, deposits and other receivables	–	–	137,017	137,017
Financial asset at fair value through profit or loss	235	–	–	235
Pledged deposits	–	–	152,000	152,000
Cash and cash equivalents	–	–	131,533	131,533
	235	134,204	619,464	753,903

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term defer payment	25,169
Long-term payables	73,499
Trade payables	54,035
Financial liabilities included in other payables and accruals	85,646
Interest-bearing bank loans	421,659
	660,008

Notes To Interim Condensed Consolidated Financial Statements

30 June 2017

23 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 2016 (audited)

Financial assets

	Financial asset at fair value through profit or loss RMB'000	Non-current financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Non-current financial assets	–	224,470	–	224,470
Long-term rental deposits	–	–	107,379	107,379
Loan to a non-controlling shareholder	–	–	47,498	47,498
Other long-term receivables	–	–	30,413	30,413
Trade receivables	–	–	26,654	26,654
Financial assets included in prepayments, deposits and other receivables	–	–	143,806	143,806
Financial asset at fair value through profit or loss	242	–	–	242
Pledged deposits	–	–	60,000	60,000
Cash and cash equivalents	–	–	233,390	233,390
	242	224,470	649,140	873,852

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term defer payment	30,413
Long-term payables	81,578
Trade payables	66,841
Financial liabilities included in other payables and accruals	230,138
Interest-bearing bank loans	341,815
	750,785

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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:

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, non-current financial assets, long-term rental deposits, loan to a non-controlling shareholder, other long-term receivables, long-term defer payments, long-term payables, trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank loans approximate to their carrying amounts.

The following table provides the fair value measurement hierarchy of the Company's financial instruments measured at fair value as at 30 June 2017:

Financial assets measured at fair value

	Fair value measurements categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial asset at fair value through profit or loss	–	235	–	235
Unlisted equity investment, at fair value	–	–	14,000	14,000
Listed equity investment, at fair value	120,204	–	–	120,204
	120,204	235	14,000	134,439

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

The fair value of the financial asset at fair value through profit or loss is derived from quoted prices in active markets.

The fair value of the listed equity investment through other comprehensive income is based on quoted market prices.

The fair value of the unlisted equity investment through other comprehensive income falls within Level 3 of the fair value hierarchy due to the significant unobservable inputs used in the valuation. The following table shows the valuation techniques used in the determination of fair values of the unlisted equity investments.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Discounted cash flow method	Discount rate	6.50% to 8.00%	10% increase (decrease) in expected yield would result in (decrease) increase in fair value by RMB153,000

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 August 2017.



■ Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

For the six months ended 30 June 2017, 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

Mr. Wang Hairong resigned as the non-executive Director of the Company with effect from 2 August 2017 because he needs more time to deal with his personal matters.

Save as disclosed above, as at the date of this report, there were no significant changes in the information related to the Directors and senior management as compared to the particulars set out in the Company's 2016 Annual Report.

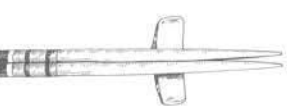
DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2017, 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 Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), are set out as follows:

Name of Directors	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Wang Huimin	Beneficiary of a trust	778,765,500(L) ⁽²⁾	35.19%
	Trustee	166,747,227(L) ⁽³⁾	7.53%
	Beneficial owner	7,000,000(L) ⁽⁴⁾	0.32%
Zhu Xiaoxia	Interest in controlled corporations	80,103,575(L) ⁽⁵⁾	3.62%
	Beneficial owner	29,773,693(L) ⁽⁶⁾	1.35%
Wu Wen	Interest in controlled corporation	62,592,681(L) ⁽⁷⁾	2.83%
	Beneficial owner	13,050,000(L)	0.59%
Wang Huili	Interest in controlled corporations	12,260,625(L) ⁽⁸⁾	0.55%
	Beneficial owner	13,650,000(L)	0.62%
Wang Hairong ⁽⁹⁾	Beneficial owner	12,297,000(L)	0.56%
Weng Xiangwei	Interest in controlled corporations	167,887,000(L) ⁽¹⁰⁾	7.59%
Lui Wai Ming	Beneficial owner	1,000,000(L) ⁽¹¹⁾	0.05%
Wu Chun Wah	Beneficial owner	1,000,000(L) ⁽¹²⁾	0.05%
Lin Lijun	Beneficial owner	1,000,000(L) ⁽¹³⁾	0.05%

Notes:

- (1) "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 by Value Boost Limited under the SFO.
- (3) The relevant Shares were held by Ms. Wang Huimin as trustee. Therefore, Ms. Wang Huimin, the executive Director, was also deemed to be interested in the relevant Shares under the SFO.
- (4) Ms. Wang Huimin, an executive Director, was interested as a grantee of options to subscribe for up to 7,000,000 Shares under the Share Option Scheme.
- (5) The relevant Shares were held by Xiaohua (Hong Kong) Limited. Ms. Zhu Xiaoxia, an executive Director, owned half of the issued share capital of Xiaohua (Hong Kong) Limited. Therefore, Ms. Zhu Xiaoxia was deemed to be interested in the Shares held by Xiaohua (Hong Kong) Limited under the SFO.
- (6) Ms. Zhu Xiaoxia, an executive Director, held 24,773,693 Shares and was interested as a grantee of options to subscribe for up to 5,000,000 Shares under the Share Option Scheme.
- (7) The relevant Shares were held by Well Reach Limited. Ms. Wu Wen, an 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.
- (8) 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.
- (9) Mr. Wang Hairong disposed the 5.34% equity interests of the Company held through Wealth Boom Enterprise Limited and Full Health Limited on 12 April 2017, and resigned as the non-executive Director of the Company on 2 August 2017.
- (10) 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.
- (11) Mr. Lui Wai Ming, an independent non-executive Director, was interested as a grantee of options to subscribe for up to 1,000,000 Shares under the Share Option Scheme.
- (12) Dr. Wu Chun Wah, an independent non-executive Director, was interested as a grantee of options to subscribe for up to 1,000,000 Shares under the Share Option Scheme.
- (13) Mr. Lin Lijun, an independent non-executive Director, was interested as a grantee of options to subscribe for up to 1,000,000 Shares under the Share Option Scheme.



■ Other Information

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 Schemes 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.
- (e) from 1 July 2016 to 10 years from the date of grant:
- (1) 25% shall vest if the Company's net profit for the year ended 31 December 2015 reaches a specified target;
 - (2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2015 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 2015 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 19 to the financial statements.

Pursuant to the Pre-IPO Share 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 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. For the period from 1 January 2017 to 30 June 2017, no share options granted under the Pre-IPO Share Option Schemes have been exercised or cancelled and 364,140 shares options granted under the Pre-IPO Share Option Schemes have been lapsed. As at 30 June 2017, 21,443,688 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 2017 are as follows:

Name of the grantee	As at	During the	During the	During the	During the	As at
	1 January 2017	6-month period ended 30 June 2017	6-month period ended 30 June 2017	6-month period ended 30 June 2017	6-month period ended 30 June 2017	30 June 2017
	No. of share options outstanding	No. of share options granted	No. of share options exercised	No. of share options cancelled	No. of share options lapsed	No. of share options outstanding
Employees (in aggregate)	21,807,828	-	-	-	364,140	21,443,688

Other Information

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 2017 are set out below:

Participants	Date of grant of Option	Exercise Period of Option	Exercise Price	No. of outstanding
			of Option	option as at the
			RMB per share	Latest Practicable
				Date
				'000
Employees	11 February 2010	1 January 2012 to 11 February 2020	1	8,019
	21 June 2010	1 January 2012 to 21 June 2020	1	181
	1 September 2010	1 January 2012 to 1 September 2020	1	1,043
	15 December 2010	1 January 2012 to 15 December 2020	1.1	1,165
	26 January 2011	1 January 2012 to 26 January 2021	1.1	6
	28 February 2011	1 January 2012 to 22 March 2021	1.1	1,375
	22 March 2011	1 January 2012 to 22 March 2021	1.1	1,121
	1 July 2011	1 July 2012 to 1 July 2021	1.1	1,094
	1 July 2011	1 July 2012 to 1 July 2021	1.1	76
	12 August 2011	1 July 2012 to 12 August 2021	1.1	2,984
	12 August 2011	1 July 2012 to 12 August 2021	1.1	400
	15 January 2012	1 January 2013 to 15 January 2022	1.175	1,336
	15 May 2012	1 January 2013 to 15 May 2022	1.175	2,644
	Total			

(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 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 before 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. Save for the grant of the aggregate number of 85,000,000 share options to subscribe for ordinary shares of the Company to the eligible employees and Directors (Ms. Wang Huimin, Ms. Zhu Xiaoxia Dr. Wu Chun Wah, Mr. Lin Lijun and Mr. Lui Wai Ming) of the Company by the Company on 2 May 2017 under the Share Option Scheme, no share option was granted under the Share Option Scheme for the period from 1 January 2017 to 30 June 2017.

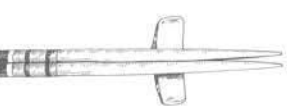
Details of the share options granted to directors on 2 May 2017 are as follows:

Details of the share options granted to Ms. Wang Huimin on 2 May 2017:

Exercise price per share under the share option:	HK\$0.5
Closing price of the Shares on the date of grant:	HK\$0.45
No. of the share options granted:	7,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. 50% of the share options will vest on 1 October 2017; 30% of the share options will vest on 1 October 2018; 20% of the share options will vest on 1 October 2019

Details of the share options granted to Ms. Zhu Xiaoxia on 2 May 2017:

Exercise price per share under the share option:	HK\$0.5
Closing price of the Shares on the date of grant:	HK\$0.45
No. of the share options granted:	5,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. 50% of the share options will vest on 1 October 2017; 30% of the share options will vest on 1 October 2018; 20% of the share options will vest on 1 October 2019



■ Other Information

Details of the share options granted to Mr. Lin Lijun on 2 May 2017:

Exercise price per share under the share option:	HK\$0.5
Closing price of the Shares on the date of grant:	HK\$0.45
No. of the share options granted:	1,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. 50% of the share options will vest on 1 October 2017; 30% of the share options will vest on 1 October 2018; 20% of the share options will vest on 1 October 2019

Details of the share options granted to Mr. Lui Wai Ming on 2 May 2017:

Exercise price per share under the share option:	HK\$0.5
Closing price of the Shares on the date of grant:	HK\$0.45
No. of the share options granted:	1,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. 50% of the share options will vest on 1 October 2017; 30% of the share options will vest on 1 October 2018; 20% of the share options will vest on 1 October 2019

Details of the share options granted to Dr. Wu Chun Wah on 2 May 2017:

Exercise price per share under the share option:	HK\$0.5
Closing price of the Shares on the date of grant:	HK\$0.45
No. of the share options granted:	1,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. 50% of the share options will vest on 1 October 2017; 30% of the share options will vest on 1 October 2018; 20% of the share options will vest on 1 October 2019

Details of the share options granted to certain eligible employees on 2 May 2017:

Exercise price per share under the share option:	HK\$0.5
Closing price of the Shares on the date of grant:	HK\$0.45
No. of the share options granted:	70,000,000 in aggregate
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. 50% of the share options will vest on 1 October 2017; 30% of the share options will vest on 1 October 2018; 20% of the share options will vest on 1 October 2019

The summary of the share options granted under the Share Option Scheme that were still outstanding as at 30 June 2017 is as follows:

Name of the grantee	As at	During the	During the	During the	During the	As at
	1 January 2017	6-month period ended 30 June 2017	6-month period ended 30 June 2017	6-month period ended 30 June 2017	6-month period ended 30 June 2017	30 June 2017
	No. of share options outstanding	No. of share options granted	No. of share options exercised	No. of share options cancelled	No. of share options lapsed	No. of share options outstanding
<i>Directors</i>						
Ms. Wang Huimin	–	7,000,000	–	–	–	7,000,000
Ms. Zhu Xiaoxia	–	5,000,000	–	–	–	5,000,000
Mr. Lin Lijin	–	1,000,000	–	–	–	1,000,000
Mr. Lui Wai Ming	–	1,000,000	–	–	–	1,000,000
Dr. Wu Chun Wah	–	1,000,000	–	–	–	1,000,000
Employees	30,422,297	70,000,000	–	704,340	1,223,460	98,494,497
	30,422,297	85,000,000	–	704,340	1,223,460	113,494,497

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted under the Share Option Schemes that were still outstanding as at 30 June 2017 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
Ms. Wang Huimin	2 May 2017	2 May 2017 to 1 May 2027	0.5	7,000
Ms. Zhu Xiaoxia	2 May 2017	2 May 2017 to 1 May 2027	0.5	5,000
Mr. Lin Lijin	2 May 2017	2 May 2017 to 1 May 2027	0.5	1,000
Mr. Lui Wai Ming	2 May 2017	2 May 2017 to 1 May 2027	0.5	1,000
Dr. Wu Chun Wah	2 May 2017	2 May 2017 to 1 May 2027	0.5	1,000
Employees	23 August 2013	23 August 2013 to 22 August 2023	1.5	8,947
	30 June 2014	1 July 2015 to 29 June 2024	1.5	6,018
	30 June 2014	1 July 2015 to 29 June 2024	1.3	5,288
	1 January 2015	1 January 2016 to 31 December 2024	1.3	2,596
	1 January 2015	1 January 2016 to 31 December 2024	1	5,645
	2 May 2017	1 October 2017 to 1 May 2027	0.5	70,000
Total				113,494

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

As at 30 June 2017, 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:

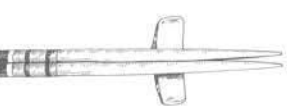
Name of the shareholders	Capacity/Nature of interest	Number of shares ⁽¹⁾	Approximate percentage of shareholding
Value Boost Limited	Beneficial owner	778,765,500(L) ⁽²⁾	35.19%
Extensive Power Limited	Interest in controlled corporation	778,765,500(L) ⁽²⁾	35.19%
Sunshine Property I Limited	Beneficial owner	167,887,000(L) ⁽³⁾	7.59%
Shinning Capital Holdings L.P.	Interest in controlled corporation	167,887,000(L) ⁽³⁾	7.59%
Shining Capital Management Limited	Interest in controlled corporation	167,887,000(L) ⁽³⁾	7.59%
Shining (BVI) Limited	Interest in controlled corporation	167,887,000(L) ⁽³⁾	7.59%
Milestone F&B I Limited	Beneficial owner	113,820,000(L) ⁽⁴⁾	5.14%
Milestone China Opportunities Fund III, L.P.	Interest in controlled corporation	113,820,000(L) ⁽⁴⁾	5.14%
Milestone Capital Partners III Limited	Interest in controlled corporation	113,820,000(L) ⁽⁴⁾	5.14%
Milestone Capital Investment Holdings Limited	Interest in controlled corporation	113,820,000(L) ⁽⁴⁾	5.14%
MCP China Investment Holdings Limited	Interest in controlled corporation	113,820,000(L) ⁽⁴⁾	5.14%
Linden Street Capital Limited	Interest in controlled corporation	113,820,000(L) ⁽⁴⁾	5.14%
Lou Yunli	Trustee/Founder of a discretionary trust	113,820,000(L) ⁽⁴⁾	5.14%
Kralik James Christopher	Trustee	113,820,000(L) ⁽⁴⁾	5.14%
Kaiser Capital Holdings Limited	Beneficial owner	118,223,625(L) ⁽⁵⁾	5.34%
Ting Pang Wan Raymond	Interest in controlled corporation	118,223,625(L) ⁽⁵⁾	5.34%
Luu Huyen Boi	Interest of spouse	118,223,625(L) ⁽⁵⁾	5.34%

Notes:

- (1) The letter "L" denotes long position in the Shares.
- (2) The 778,765,500 Shares were held by Value Boost Limited. The entire issued share capital of Value Boost Limited was held by Extensive Power Limited (the "trustee") 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 167,887,000 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.
- (4) The 113,820,000 Shares were held by Milestone F&B I Limited. Each of Kralik James Christopher and Lou Yunli held 50% interests in Linden Street Capital Limited, which in turn held 100% interests 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 all interests in Milestone F&B I Limited. Therefore, Kralik James Christopher, 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 under the SFO.
- (5) The 118,223,625 Shares were held by Kaiser Capital Holdings Limited. Ting Pang Wan Raymond who held 100% interests of Kaiser Capital Holdings Limited were therefore deemed to be interested in the Shares held by Kaiser Capital Holdings Limited under the SFO. Luu Huyen Boi was the spouse of Ting Pang Wan Raymond, and therefore was deemed to be interested in the shares held by Ting Pang Wan Raymond under the SFO.
- (6) Mr. Wang Hairong disposed the 5.34% equity interests of the Company held through Wealth Boom Enterprise Limited and Full Health Limited on 12 April 2017, and resigned as the non-executive Director of the Company on 2 August 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listed 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 as set out in Appendix 10 to the Listed Rules Model Code for the six months ended 30 June 2017.



■ Other Information

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 2017, 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 chairlady and the chief executive officer enables the Group to make and implement decisions promptly and efficiently which is beneficial to the Group 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.

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 2017.