

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 REPORT

2018

以食为天



上海小南国
SHANGHAI MIN

DOUOR

MAISON DE CHUI 慧公馆

俺の ORENO
DINING BAR
FRENCH + ITALIAN

南小館
the dining room

WOLFGANG PUCK

香港米芝蓮
H.K. Mui Chi Ling

とん吉
TONKICHI
TONKATSU SEAFOOD



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Ms. Zhu Xiaoxia

Non-executive Directors

Ms. Wang Huili

Ms. Wu Wen

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*)

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

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Cayman Islands

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COMPANY'S WEBSITE

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INVESTOR RELATIONS

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Financial Highlights

	For the six months ended 30 June		% Change Increase/ (decrease)
	2018 ⁴ (unaudited)	2017 ⁴ (unaudited)	
Revenue (RMB'000)	770,085	802,964	(4.1%)
Gross profit ¹ (RMB'000)	554,103	582,966	(5.0%)
Gross profit margin ²	72.0%	72.6%	(0.6%)
Profit for the period from continuing operations (RMB'000)	33,734	31,729	6.3%
Net profit margin ³	4.4%	4.0%	0.4%
Earnings per share – Basic	RMB1.46 cents	RMB1.44 cents	1.39%
Number of restaurants (as at 30 June, excluded stores of Million Rank Limited) ⁴	99	99	–

Notes:

- 1 The calculation of gross profit is based on revenue less cost of sales (excluding the data of Million Rank Limited).
- 2 The calculation of gross profit margin is based on gross profit divided by revenue (excluding the data of Million Rank Limited).
- 3 Net profit margin is calculated as profit for the period from continuing operations divided by revenue.
- 4 The financial performance for the six-month period ended 30 June 2018 and 30 June 2017 have been presented excluding the discontinued operation regarding Million Rank Limited.

INDUSTRY REVIEW

The National Bureau of Statistics of China announced that, during the first half of 2018, total national food and beverage revenue amounted to RMB1,945.7 billion, representing a period-to-period increase of 9.9%. The growth rate was stable compared with 11.2% of first half of 2017, but is lower than market expectation. The revenue of the catering enterprises above designated size increased by 7.2%. These reflect that the growth of the catering industry tends to be stable. Besides, the impact of the rapid development of the Internet on consumption patterns has also created new challenges for industry product development, consumption channels, brand building and management.

Business Performance

Facing the complicated market environment, with the goal of continuously improving the long-term value and excellent customer service of the Company, the Group firmly promotes the “brand + standard supply chain” strategy, and gradually transits to the accelerated growth phase of upgrading Chinese fine dining restaurant, expanding casual dining stores, and keeps improving Internet take-away and retail business. Since 2017, the Company has persisted in promoting and optimizing the strategic upgrading and transformation of “brand + supply chain”, and successively implemented various business initiatives such as rebuilding supply chain system, formation of light asset brand profit model, organisational efficiency reform and mechanism innovation. In the first half of 2018, with the deepening of strategic transformation, in the aspects of the overall business development, the Company is entering into the rapid development stage of the following: upgrading Chinese fine dining restaurants, expanding high-efficiency casual dining restaurants, and overall improving Internet take-away business. During the six months ended 30 June 2018 (the “Reporting Period”), the major development events of the Company were reviewed as follows:

1. *Brand business development:*

For Chinese fine dining restaurant, the Company continued to increase investment in brand marketing, and continued to consolidate the value building of Chinese fine dining restaurant brands such as “Maison DeL’Hui” and “Shanghai Min”. The first new model store of “Shanghai Min” was upgraded and completed in Super Brand Mall, Lujiazui, Pudong, Shanghai, and was opened on 27 June 2018. On the basis of optimized dishes and services, this store presents a new brand image of high-quality food with Shanghai culture elements to the target customers.

For casual dining brand, all the stores under “The Dining Room” and “The Dining Room • Dessert BAR (南小館 • 點心餐BAR)” brand represented by the mass consumption casual dining brand showed strong customer acquisition ability. During the Reporting Period, the revenue of “The Dining Room” brand restaurants increased by 26.0% over the same period in 2017, and the same store revenue increased by 13.0% over the same period and the preparation for expanding was fully completed.

For brand take-away business, with the Company's strong restaurant network and supply chain capabilities, the Company set up a special development plan for brand takeaways. During the Reporting Period, we has transformed and completed 74 new takeaway business points, and launched 67 takeaway products. The income from take-away sale increased significantly to RMB55.7 million.

During the Reporting Period, there were a total of 121 stores located in Hong Kong, Chinese Mainland and other regions. Excluding POKKA HK, the Company operated a total of 99 stores, 85 stores out of which are located in Chinese Mainland, 14 stores out of which are in Hong Kong. POKKA HK operated 22 stores in Hong Kong and Macau.

2. Standardized supply chain development:

Based on the strategic 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"), the Group carried out more active joint research and development, OEM production, Standard Operating Procedures (SOP) specifications and procurement supply services with source suppliers. During the Reporting Period, the Company introduced 7 cooperative R&D suppliers, 11 OEM factories, and completed dishes upgrades for 141 Stock Keeping Units (SKUs). The Company has achieved full coverage service of standard supply chain for its main brands such as "Shanghai Min", "The Dining Room" and "Maison DeL'Hui" in Chinese Mainland.

3. Others:

The incentive mechanism reform of active partnership implemented by the Group in 2017 has achieved remarkable results. In the first half of 2018, the Company established an operation objective-oriented incentive bidding mechanism to motivate key management personnel in the Chinese Mainland and Hong Kong stores. The Company's headquarters continued to reform by building strategic headquarters and operational headquarters for the Company, streamlining the middle management and improving management and empowerment. Adhering to strategic business objective-oriented principle and focusing on the customer value, the Company clarified powers and responsibilities, and decomposed functional indicators and operational indicators, supported and encouraged internal innovation, promoted organizational value system, enhancing the abilities of headquarters teams to adapt and compete under complex environment.

Future Outlook

In the second half of 2018, despite the steady growth of China's catering industry, the macroeconomic environment is expected to be challenging. The growth rate of the consumer market is not as good as expected, and competition is still intensifying. However, the ever-changing market environment may render more development opportunities for companies that adhere to quality and customer value. While firmly promoting the "brand + supply chain" development strategy, the management of the Group will continue to invest resources in the following five business directions and fully promote the Company's business growth with full confidence.

1. Continue to renovate Chinese fine dining restaurants to consolidate the status of Chinese dinner brands

Start with the successfully transformed "Shanghai Min" Super Brand Mall new model store, the Group will continue to invest in the upgrading of the old restaurants. Based on the existing main brands, we will target different consumer scenarios and customer groups, adhere to superior product and service quality, and continuously improve customer experience and store operating returns.

2. Fully accelerate the expansion of casual dining restaurants with high efficiency

The Group will continue to strengthen the operating efficiency and profitability of casual dining brand restaurants such as "The Dining Room" and "Doutor Coffee", and fully expand the restaurants of casual dining brands for mass consumption with high operating efficiency, so to expand business scale.

3. Fully expand the layout of Internet take-out retail through multiple channels

The Group will make overall planning for the layout of brand take-away outlets and fully optimize the take-out foods. The Group will make full use to its brand operation and supply chain basic advantages, and provide safe, convenient and high-quality choices for a wider range of different take-away customers with more diversified brands and products.

4. Continued deepening of the standard supply chain

The Group will further strengthen the cooperation in supply chain platform with Zhongmin Supply Chain, and actively cooperate with source suppliers in joint research and development, OEM production, SOP specifications, and procurement and supply services. Leverage on comprehensive food safety control and effective supply chain cost control, we strive to develop more healthy and more delicious food ingredients and dishes, fully enhance product experience and operational efficiency, in order to accelerate the development of store expansion, take-out extensions and retail food channel development under the Group's brand integration strategy.

5. Fully upgrade the membership system and service mechanism

The Group will unify the planning of each brand to form a membership management mechanism with online and offline organic integration, collect and respond to customer needs in a timely manner, organise online and offline theme promotion activities through several social media, and provide customers with more diverse interactive consumer services in different consumption scenarios.

FINANCIAL REVIEW

The Group's revenue for the first half of 2018 was RMB770.1 million (excluding MRL Group, the holding company of POKKA HK Business, which is a disposal group held for sale) and its gross profit during the Reporting Period was RMB554.1 million, gross profit margin slightly declined by 0.6% to 72.0% from 72.6% in the corresponding period of last year. Net profit for the first half of 2018 was approximately RMB30.8 million, representing an increase of approximately RMB0.1 million from approximately RMB30.7 million in the corresponding period in 2017. Excluding MRL Group, which is proposed to be sold, the net profit was RMB33.7 million, representing a period to period increase of RMB2.0 million or 6.3%.

As at 30 June 2018, the Group operated a restaurant network of 66 Shanghai Min restaurants, 3 Maison De L'Hui restaurants, 26 The Dining Room restaurants, 1 Oreno restaurant, 2 Wolfgang Puck restaurants, 1 The Boathouse restaurant and 22 restaurants under POKKA HK brands, which covers some of the most affluent and fast-growing cities in Chinese Mainland (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, during the periods for the six months ended 30 June 2018 and 2017, respectively.

	For the six months ended 30 June			
	2018		2017	
	Number of restaurants	Revenue RMB'000 (unaudited)	Number of restaurants	Revenue RMB'000 (unaudited)
Chinese Mainland (Note (i))				
– Shanghai Min & Maison De L'Hui	62	525,250	65	567,032
– The Dining Room	19	78,204	16	62,708
– Other Brands	4	25,105	4	31,519
Hong Kong				
– Shanghai Min	7	66,616	7	68,882
– The Dining Room	7	64,367	6	50,404
– Other Brands	–	–	1	6,136
Total revenue of restaurant operations	99	759,542	99	786,681
Other revenue		10,543		16,283
Total revenue from continuing operations		770,085		802,964
POKKA HK brands (Note ii)	22	127,024	25	139,951

Notes

- (i) Chinese Mainland, which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan.
- (ii) As at 30 June 2018, there were 22 stores under brands of POKKA Café, Tonkichi, etc, operated by Million Rank Limited ("MRL", together with its subsidiaries "MRL Group") in Hong Kong and Macau.

REVENUE

Revenue of the Group (excluding MRL Group) decreased by RMB32.9 million, or 4.1% from RMB803.0 million for the six months ended 30 June 2017 to RMB770.1 million for the six months ended 30 June 2018. The decrease was due to the suspension of operations or closure of stores during the Reporting Period.

Total Revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB27.2 million from RMB786.7 million for the six months ended 30 June 2017 to RMB759.5 million for the six months ended 30 June 2018, primarily reflecting:

- For the six months ended 30 June 2018, the revenue from newly opened stores increased by RMB30.0 million;
- For the six months ended 30 June 2018, due to the temporary closure for renovation, relocation and upgrade or closure of stores, which resulted in a decrease in revenue of RMB57.9 million in general; and
- an increase of RMB0.7 million in revenue in the same store sales in the first half of 2018 as compared to the same period of 2017.

Other revenue

Other revenue represents a decrease of RMB5.8 million from RMB16.3 million for the six months ended 30 June 2017 to RMB10.5 million for the six months ended 30 June 2018. Other revenue mainly comprises income of Mai Chi Ling and sales of value-added goods. The decrease was due to the revenue decrease in external raw material sales compared to the same period last year.

COST OF SALES AND INVENTORY

The cost of sales decreased by RMB4.0 million, or 1.8% from RMB220.0 million for the six months ended 30 June 2017 to RMB216.0 million for the six months ended 30 June 2018.

The cost of sales as a percentage of revenue slightly increased by 0.6 percentage point from 27.4% for the six months ended 30 June 2017 to 28.0% for the six months ended 30 June 2018. Meanwhile, the gross profit margin of the Group as of 30 June 2018 was 72.0%, representing a decrease of 0.6 percentage point compared with 72.6% of the corresponding period in 2017, which was mainly because the proportion of internet take-away revenue of the Group has increased in the Reporting Period with relative lower gross profit margin.

The inventory decreased by RMB7.5 million, or 21.9% from RMB34.3 million as at 30 June 2017 to RMB26.8 million as at 30 June 2018, which was mainly because the inventory of MRL as at 30 June 2018 was reclassified to "assets of a disposal group classified as held for sale".

The inventory turnover days were 22.2 days for the six months ended 30 June 2018, which was exactly the same compared with 22.2 days for the six months ended 30 June 2017.

OTHER INCOME AND GAINS

Other income and gains increased by RMB0.2 million from RMB8.2 million for the six months ended 30 June 2017 to RMB8.4 million for the six months ended 30 June 2018.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by RMB31.3 million, or 6.6% from RMB474.9 million for the six months ended 30 June 2017 to RMB443.6 million for the six months ended 30 June 2018. Selling and distribution expenses were mainly comprised of the labor costs, rental costs and depreciation expenses in relation to restaurants.

Labor costs decreased by RMB26.2 million, or 13.6% from RMB193.2 million for the six months ended 30 June 2017 to RMB167.0 million for the six months ended 30 June 2018. The labor costs as a percentage of revenue decreased from 24.1% for the six months ended 30 June 2017 to 21.7% for the six months ended 30 June 2018, which was mainly due to the decrease in the number of employees and efficiency optimization.

Rental costs decreased by RMB7.8 million, or 5.5% from RMB142.8 million for the six months ended 30 June 2017 to RMB135.0 million for the six months ended 30 June 2018. The rental costs as a percentage of revenue decreased from 17.8% for the six months ended 30 June 2017 to 17.5% for the six months ended 30 June 2018.

Depreciation expenses decreased by RMB7.7 million, or 11.7% from RMB65.6 million for the six months ended 30 June 2017 to RMB57.9 million for the six months ended 30 June 2018. The depreciation expenses as a percentage of the revenue decreased from 8.2% for the six months ended 30 June 2017 to 7.5% for the six months ended 30 June 2018.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by RMB2.9 million, or 4.6% from RMB62.4 million for the six months ended 30 June 2017 to RMB59.5 million for the six months ended 30 June 2018, which was mainly due to the decrease in rent as a result of the relocation of the headquarters of the Group.

INCOME TAX EXPENSE

For the six months ended 30 June 2018, income tax expenses was RMB10.2 million, with an effective income tax rate of 23.2%, representing a decrease of 4.0 percentage points compared to 27.2% for the six months ended 30 June 2017.

PROFIT FOR THE PERIOD

As a result of the foregoing reasons, the profit for the Reporting Period from continuing operations of the Group increased by RMB2.0 million, or 6.3% from RMB31.7 million for the six months ended 30 June 2017 to RMB33.7 million for the six months ended 30 June 2018. Net profit margin from continuing operations increased from 4.0% for the six months ended 30 June 2017 to 4.4% for the six months ended 30 June 2018.

DIVIDENDS PAYABLE

As at 30 June 2018, there were outstanding dividends payable amounting to RMB22,055,000.

LIQUIDITY, CAPITAL RESOURCES AND CASH FLOW

The Group funded our liquidity and capital requirements primarily through cash inflows generated from the operating activities and bank loans.

As at 30 June 2018, the gearing ratio was 16.9%, and the gearing ratio was net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the parent.

For the six months ended 30 June 2018, the Group had net cash inflows generated from operating activities of RMB30.1 million (for the six months ended 30 June 2017: RMB12.1 million). As at 30 June 2018, the Group had RMB245.9 million in cash and cash equivalents (30 June 2017: RMB131.5 million). The following table sets out certain information regarding the consolidated cash flows for the six-month periods ended 30 June 2018 and 2017.

	For the six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Net cash flows generated from operating activities	30,082	12,130
Net cash flows used in investing activities	(22,294)	(122,718)
Net cash flows (used in)/generated from financing activities	(67,722)	11,009
Net decrease in cash and cash equivalents	(59,934)	(99,579)
Cash and cash equivalents at the beginning of the period	305,224	233,390
Effect of foreign exchange rate changes, net	569	(2,278)
Cash and cash equivalents at the end of the period	245,859	131,533

OPERATING ACTIVITIES

Net cash inflow generated from operating activities increased by RMB18.0 million, from RMB12.1 million for the six months ended 30 June 2017 to RMB30.1 million for the six months ended 30 June 2018. That was mainly due to the decrease of centralized procurement in 2018 compared with the same period of last year.

INVESTING ACTIVITIES

For the six months ended 30 June 2018, net cash outflow used in investing activities was RMB22.3 million, and RMB122.7 million outflow for the same period in 2017. The decrease was mainly because the Group made balance payment for the acquisition of 9.82% interests in JMU Limited during the six-month period ended 30 June 2017.

FINANCING ACTIVITIES

Net cash flow generated from financing activities changed from a cash inflow of RMB11.0 million for the six months ended 30 June 2017 to a cash outflow of RMB67.7 million for the six months ended 30 June 2018. This was mainly because the Company actively managed the debt financing structure during the period, and made net repayment of bank loans amounting to RMB96.3 million.

FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, investment activities and overseas financing income or expenses (when revenue or expenses from investment activities and overseas financing are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the six months ended 30 June 2018 and 30 June 2017 are denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

CONTINGENT LIABILITIES

There were no significant contingent liabilities for the Group as at 30 June 2018 and 31 December 2017.

OPERATING LEASE ARRANGEMENTS

As lessee

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

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	230,214	249,504
In the second to fifth years, inclusive	631,417	649,867
After five years	100,412	158,791
	962,043	1,058,162

CAPITAL COMMITMENT

Capital commitments were approximately RMB2.9 million and RMB7.4 million, respectively, as at 30 June 2018 and 31 December 2017.

PLEGDED OF GROUP ASSETS

As at 30 June 2018, the interest-bearing bank loans of the Group totaled RMB290.9 million, of which bank loans of HK\$152.2 million (equivalent to RMB128.3 million) were secured by the pledge of certain fixed deposits of RMB125.5 million by the Group.

The bank loans borrowed by POKKA HK are secured by POKKA HK's building, which had a net carrying value of approximately RMB70.2 million as at 30 June 2018. In April 2018, POKKA HK repaid the loan and replaced with a new loan. The new loan was also secured by POKKA HK's building. As at 30 June 2018, the bank overdrafts of POKKA HK amounted to HK\$11.2 million (equivalent to RMB9.4 million) were secured by the pledge of certain fixed deposits of HK\$11.4 million (equivalent to RMB9.6 million) by POKKA HK. As disclosed in Note 8 to the financial statements, MRL is classified as a disposal group held for sale and as a discontinued operation. The pledged building and fixed deposits were included in "assets of a disposal group classified as held for sale".

SIGNIFICANT ACQUISITION AND DISPOSAL

For the six months ended 30 June 2018, there were no material acquisitions and disposals for the Group and its 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 2018, the Group recruited approximately 2,465 employees in Chinese Mainland, Hong Kong and other regions excluding MRL Group. For the six months ended 30 June 2018, the total staff cost excluding MRL Group was RMB205.9 million (for the six months ended 30 June 2017: RMB226.0 million), which mainly comprised wages and salaries.

SUBSEQUENT SIGNIFICANT EVENTS

As disclosed in the announcement of the Company dated 29 June 2018, Bright Charm Development Limited (“**Bright Charm**”) (a wholly-owned subsidiary of the Company) entered into an agreement with, among others, Rosy Metro Investments Limited (“**Rosy Metro**”), pursuant to which, Bright Charm has conditionally agreed to transfer 65% of the total issued share capital of MRL to Rosy Metro at a consideration of HK\$175.5 million. The conditions of the disposal have been fulfilled and the disposal was completed on 21 July 2018. Saved as disclosed above, there was no significant event affecting the operation, finance and future prospect of the Group since 30 June 2018 and up to the date of this report.

Interim Condensed Consolidated Statement of Profit or Loss

Six-month period ended 30 June 2018

	Notes	Six-month period ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
CONTINUING OPERATIONS			
REVENUE	4	770,085	802,964
Cost of sales		(215,982)	(219,998)
Gross profit		554,103	582,966
Other income and gains	4	8,416	8,219
Selling and distribution expenses		(443,586)	(474,895)
Administrative expenses		(59,512)	(62,440)
Other expenses		(7,154)	(2,920)
Finance costs	6	(8,362)	(7,345)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	43,905	43,585
Income tax expense	7	(10,171)	(11,856)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		33,734	31,729
DISCONTINUED OPERATION			
Loss after tax for the period from a discontinued operation	8	(2,977)	(1,042)
PROFIT FOR THE PERIOD		30,757	30,687
Attributable to:			
Owners of the parent		30,293	31,101
Non-controlling interests		464	(414)
		30,757	30,687
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the period	10	RMB1.37 cents	RMB1.41 cents
– For profit from continuing operations	10	RMB1.46 cents	RMB1.44 cents
Diluted			
– For profit for the period	10	RMB1.37 cents	RMB1.41 cents
– For profit from continuing operations	10	RMB1.46 cents	RMB1.44 cents

Details of the dividends declared for the period are disclosed in Note 9 to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

Six-month period ended 30 June 2018

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	30,757	30,687
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	639	(14,508)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax	639	(14,508)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods (net of tax):		
Equity investments designated as fair value through other comprehensive loss:		
Changes in fair value	(30,635)	(79,860)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of tax	(30,635)	(79,860)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(29,996)	(94,368)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	761	(63,681)
Attributable to:		
Owners of the parent	(395)	(63,267)
Non-controlling interests	1,156	(414)
	761	(63,681)

Interim Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment	11	383,532	550,055
Goodwill		–	12,645
Other intangible assets		7,368	37,050
Non-current financial assets		36,946	67,755
Long-term rental deposits		88,435	95,052
Deferred tax assets		67,148	65,729
Pledged deposits	15	–	11,564
Loan to a non-controlling shareholder		–	44,386
Other long-term receivables		–	24,241
Total non-current assets		583,429	908,477
CURRENT ASSETS			
Inventories	12	26,756	34,257
Trade receivables	13	19,530	26,287
Prepayments, deposits and other receivables	14	190,139	196,420
Financial asset at fair value through profit or loss		–	226
Pledged deposits	15	125,482	151,910
Cash and cash equivalents	15	254,473	305,224
Assets of a disposal group classified as held for sale	8	322,869	–
Total current assets		939,249	714,324
CURRENT LIABILITIES			
Trade payables	16	34,595	49,840
Interest-bearing bank loans	17	262,051	348,929
Tax payable		21,153	26,458
Dividends payable		22,055	–
Other payables and accruals		94,395	126,268
Deferred income		–	2,800
Contract liabilities		5,993	–
Liabilities directly associated with the assets classified as held for sale	8	103,671	–
Total current liabilities		543,913	554,295
NET CURRENT ASSETS		395,336	160,029
TOTAL ASSETS LESS CURRENT LIABILITIES		978,765	1,068,506

Interim Condensed Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Long-term defer payment		–	24,241
Long-term payables		70,787	78,158
Interest-bearing bank loans	17	28,834	64,573
Deferred tax liabilities		440	1,129
Total non-current liabilities		100,061	168,101
Net assets		878,704	900,405
EQUITY			
Equity attributable to owners of the parent			
Issued capital	18	18,393	18,393
Reserves		792,744	815,194
		811,137	833,587
Non-controlling interests		67,567	66,818
Total equity		878,704	900,405

Wang Huimin
Director

Zhu Xiaoxia
Director

Interim Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2018

	Attributable to owners of the parent												Total equity RMB'000	
	Notes	Issued capital	Share premium	Capital redemption reserves	Capital reserve	Merger reserve	Statutory surplus reserve	Exchange fluctuation reserve	Share option reserve	Financial asset revaluation reserve	Retained earnings	Total		Non-controlling interests
		RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
As of 1 January 2018		18,393	723,842	27	57,677	(69,246)	14,723	2,204	24,142	(276,621)	338,446	833,587	66,818	900,405
Profit for the period		-	-	-	-	-	-	-	-	-	30,293	30,293	464	30,757
Other comprehensive income/(loss) for the period:														
Changes in fair value of financial assets, net of tax		-	-	-	-	-	-	-	-	(30,635)	-	(30,635)	-	(30,635)
Exchange differences related to foreign operations		-	-	-	-	-	-	(53)	-	-	-	(53)	692	639
Total comprehensive income for the period		-	-	-	-	-	-	(53)	-	(30,635)	30,293	(395)	1,156	761
Dividends paid to non-controlling shareholder		-	-	-	-	-	-	-	-	-	-	-	(407)	(407)
Final 2017 dividend declared		-	-	-	-	-	-	-	-	-	(22,055)	(22,055)	-	(22,055)
Transfer of share option reserve upon the forfeiture of share options		-	-	-	-	-	-	-	(397)	-	397	-	-	-
As of 30 June 2018 (unaudited)		18,393	723,842	27	57,677	(69,246)	14,723	2,151	23,745	(307,256)	347,081	811,137	67,567	878,704

	Attributable to owners of the parent												Total equity RMB'000	
	Notes	Issued capital	Share premium	Capital redemption reserves	Capital reserve	Merger reserve	Statutory surplus reserve	Exchange fluctuation reserve	Share option reserve	Financial asset revaluation reserve	Retained earnings	Total		Non-controlling interests
		RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000 (Note 18)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		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/(loss) 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)
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

Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2018

	Notes	Six-month period ended 30 June	
		2018	2017
		RMB'000 (unaudited)	RMB'000 (unaudited)
Cash flows from operating activities			
Profit before tax:			
From continuing operations		43,905	43,585
From a discontinued operation	8	(3,170)	(1,318)
Adjustments for:			
Finance costs		8,859	7,877
Bank interest income		(2,349)	(2,282)
Dividend income from non-current financial assets	4	(400)	(400)
Depreciation		71,221	75,162
Amortisation of other intangible assets		2,311	1,517
Gain on disposal of a subsidiary		(2,673)	–
(Gain)/loss on disposal of items of property and equipment		(2,170)	2,540
		115,534	126,681
Decrease in inventories		41	9,140
Decrease in trade receivables		1,446	6,568
Increase in prepayments, deposits and other receivables		(31,208)	(61,325)
Decrease in trade payables		(9,971)	(12,806)
Decrease in other payables and accruals		(17,474)	(41,154)
Increase in long-term rental deposits		(11,122)	(194)
Decrease in long-term payables		(6,858)	(7,991)
Decrease in deferred income		(2,800)	(892)
Increase in contract liabilities		6,885	–
Cash generated from operations		44,473	18,027
Income tax paid		(14,391)	(5,897)
Net cash generated from operating activities		30,082	12,130
Cash flows from investing activities			
Purchases of items of property and equipment		(21,913)	(17,755)
Proceeds from sale of property and equipment		–	1,000
Disposal of a subsidiary		1,422	–
Purchase of non-current financial assets		–	(104,703)
Payment for acquisition of a subsidiary		(4,152)	(3,542)
Interest received		2,349	2,282
Net cash used in investing activities		(22,294)	(122,718)

Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2018

	Notes	Six-month period ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Cash flows from financing activities			
Proceeds from issue of shares		–	27,978
Decrease/(increase) in pledged time deposits		37,992	(92,000)
Repayment of bank loans		(141,464)	(101,428)
Proceeds from new bank loans		45,161	184,336
Dividends paid to non-controlling interest		(407)	–
Interest paid		(9,004)	(7,877)
Net cash (used in)/generated from financing activities		(67,722)	11,009
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of the period		305,224	233,390
Effect of foreign exchange rate changes, net		569	(2,278)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		245,859	131,533
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	254,473	131,533
Time deposits with maturity of less than three months, not pledged	15	–	–
Cash and cash equivalents as stated in the statement of financial position attributable to continuing operations		254,473	131,533
Cash and bank balances	8	7,779	–
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	8	9,570	–
Bank overdrafts		(25,963)	–
Cash and short term deposits attributable to a discontinued operation		(8,614)	–
Cash and cash equivalents as stated in the statement of cash flows		245,859	131,533

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

1. CORPORATE INFORMATION

TANSH Global Food Group Co., Ltd 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 Chinese Mainland, Hong Kong and other regions. There were no significant changes in the nature of the Group's principal activities during the period.

In the opinion of the directors, the holding company and the ultimate holding company 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 2018 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board (the "IASB") 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").

These interim condensed consolidated financial statements have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss and equity investments 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 were approved and authorized for issue by the board of directors on 29 August 2018.

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 2017.

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

The Group has early adopted IFRS 9 Financial Instruments on 1 January 2016. 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 2017, except for the adoption of the new and revised IFRSs and interpretations effective as of 1 January 2018, noted below:

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i>
Amendments to IAS 40	<i>Transfers of Investment Property</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to IFRS 1 and IAS 28</i>

Other than explained below regarding the impact of adopting IFRS 15, the other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in the 2017 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2017, thus the comparative figures have not been restated.

Except for the reclassification effect below, the adoption of IFRS 15 did not have material financial impact on the Group’s condensed consolidated financial statements.

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under IFRS 15 and, accordingly, advances received from customers of RMB5,445,000 (for discontinued operation: nil) were reclassified from advance from customers under other payables and accruals to contract liabilities, and provision for loyalty points of RMB548,000 (deferred membership fee income for discontinued operation: RMB892,000) were reclassified from deferred income to contract liabilities.

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 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 16	<i>Leases¹</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments¹</i>
IFRS 17	<i>Insurance Contract³</i>
Conceptual Framework	<i>The Conceptual Framework for Financial Reporting²</i>
Amendments to IAS 28	<i>Long-term interests in Associates and Joint Ventures¹</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement¹</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23¹</i>

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

² Effective for annual periods beginning on or after 1 January 2020

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

⁴ No mandatory effective date yet determined but is available for adoption

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, IFRS16 is expected to have impacts on the Group's consolidated financial statements. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in Note 21 to the financial statements, at 30 June 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB962,043,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

3. OPERATING SEGMENT INFORMATION

On 7 January 2015, since the Group completed the acquisition of Million Rank (HK) Limited and its subsidiary Pokka Coffee (Macau) Ltd., (collectively referred to as "POKKA HK", "POKKA HK Business"), 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 and Wolfgang Puck)
- (b) POKKA HK Business (including main brands: Pokka Café and Tonkichi)

3. OPERATING SEGMENT INFORMATION *(continued)*

The direct holding company of POKKA HK Business is Million Rank Limited ("MRL"). As disclosed in Note 8 to the financial statements, MRL is classified as a disposal group held for sale and as a discontinued operation. The remaining business, the TANSH Global Business, continues to operate as one business unit and hence, there was only one reportable segment remained in the Group.

Geographical information

(a) Revenue from external customers

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Chinese Mainland	639,102	672,938
Hong Kong	130,983	130,026
	770,085	802,964

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	30 June	31 December
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Chinese Mainland	417,811	470,869
Hong Kong	61,524	223,273
Others	–	660
	479,335	694,802

The non-current asset information of continuing operations above is based on the locations of the 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 period ended 30 June 2018 and 2017, segment information is not presented in accordance with IFRS 8 Operating Segments.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

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 sales taxes and surcharges.

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

	Six-month period ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Type of revenue		
Restaurant operations	759,542	786,681
Other revenue	10,543	16,283
	770,085	802,964
Timing of revenue recognition		
Goods transferred at a point in time	766,027	799,316
Services transferred over time	4,058	3,648
	770,085	802,964
Other income and gains		
Government grants*	1,684	5,446
Bank interest income	981	796
Dividend income from non-current financial assets	400	400
Gain on disposal of a subsidiary	2,673	–
Gain on disposal of items of property and equipment	2,313	208
Others	365	1,369
	8,416	8,219

* There is no unfulfilled conditions or contingencies attaching to government grants that had been recognized.

5. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2018	2017
	RMB'000 (unaudited)	RMB'000 (unaudited)
Cost of inventories consumed	215,982	219,998
Depreciation	64,181	67,705
Amortisation of other intangible assets	1,342	500
Minimum lease payments under operating leases on buildings	135,809	130,829
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	173,131	187,082
Defined contribution pension scheme	32,773	38,872
	205,904	225,954
Bank interest income	(981)	(796)
Gain on disposal of a subsidiary*	(2,673)	–
Gain on disposal of items of property and equipment	(2,313)	(208)

* Gain on disposal of a subsidiary is included in "Other income and gains" in the consolidated statement of profit or loss.

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on bank loans	8,507	8,666
Less: Interest capitalised	(145)	(1,321)
	8,362	7,345

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

7. INCOME TAX

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – Chinese Mainland charged for the period	12,115	9,626
Current – Hong Kong and elsewhere charged for the period	595	967
Deferred tax	(2,539)	1,263
Total tax charge for the period from continuing operations	10,171	11,856
Total tax credited for the period from a discontinued operation	(193)	(276)
	9,978	11,580

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”) are unified at 25%.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

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 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. DISCONTINUED OPERATION

MRL and its subsidiaries were primarily engaged in the operation of restaurants and coffee shops in Hong Kong and Macau. Bright Charm (a wholly-owned subsidiary of the Company) and Rosy Metro (a company wholly-owned by Ms. Wong Shui Ching) owned as to 65% and 35% of the issued share capital of MRL respectively.

On 29 June 2018, Bright Charm (as vendor) entered into an agreement with Rosy Metro (as purchaser) and Ms. Wong Shui Ching (as the guarantor), pursuant to which, Bright Charm has conditionally agreed to transfer 65% of the total issued share capital in MRL to Rosy Metro at a consideration of HK\$175.5 million. Subject to the fulfilment of the conditions and upon completion, MRL would cease to be a subsidiary of the Company.

The Group has decided to dispose its interest in MRL because the integration of the operation and the overall business development of the TANSI Global Business and the POKKA HK Business have not met the synergy effect as envisaged by the Company. The management considered that the disposal enables the Group to optimize its branding strategy and to explore new business opportunities more effectively. The disposal of MRL was completed on 21 July 2018. As at 30 June 2018, the disposal was in progress and MRL was classified as a disposal group held for sale and as a discontinued operation. With MRL being classified as a discontinued operation, the POKKA HK Business is no longer included in the note for operating segment information.

The results of MRL for the period are presented below:

	Six-month period ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
DISCONTINUED OPERATION		
REVENUE	127,024	139,951
Cost of sales	(31,141)	(32,584)
Gross profit	95,883	107,367
Other income and gains	3,111	4,478
Selling and distribution expenses	(91,673)	(100,302)
Administrative expenses	(8,509)	(9,813)
Other expenses	(1,485)	(2,516)
Finance costs	(497)	(532)
LOSSES BEFORE TAX FROM DISCONTINUED OPERATION	(3,170)	(1,318)
Income tax expenses	193	276
LOSSES FOR THE PERIOD FROM DISCONTINUED OPERATION	(2,977)	(1,042)

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

8. DISCONTINUED OPERATION *(continued)*

The major classes of assets and liabilities of MRL classified as held for sale are as follows:

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Assets		
Property and equipment	101,068	–
Goodwill	12,754	–
Other intangible assets	28,110	–
Long-term rental deposits	17,739	–
Deferred tax assets	663	–
Loan to a non-controlling shareholder of the Group	44,769	–
Other long-term receivables	19,391	–
Inventories	7,460	–
Trade receivables	5,311	–
Prepayments, deposits and other receivables	68,027	–
Financial asset at fair value through profit or loss	228	–
Pledged deposits	9,570	–
Cash and cash equivalents	7,779	–
Assets classified as held for sale	322,869	–
Liabilities		
Trade payables	5,284	–
Interest-bearing bank loans	54,262	–
Tax payable	3,434	–
Other payables and accruals	19,763	–
Contract liabilities	892	–
Deferred tax liabilities	55	–
Long-term payables	590	–
Deferred payable	19,391	–
Liabilities directly associated with the assets classified as held for sale	103,671	–
Net assets directly associated with the disposal group	219,198	–

8. DISCONTINUED OPERATION *(continued)*

The net cash flows incurred by MRL are as follows:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Operating activities	(7,230)	2,669
Investing activities	(4,614)	(5,528)
Financing activities	(9,224)	(3,910)
Net cash outflow	(21,068)	(6,769)
Losses per share:		
Basic, from the discontinued operation	RMB(0.09) cents	RMB(0.03) cents
Diluted, from the discontinued operation	RMB(0.09) cents	RMB(0.03) cents

The calculations of basic and diluted losses per share from the discontinued operation are based on:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Losses attributable to ordinary equity holders of the parent from the discontinued operation	(1,935)	(677)
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (<i>Note 10</i>)	2,205,531,000	2,205,531,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation (<i>Note 10</i>)	2,205,531,000	2,205,531,000

9. DIVIDENDS

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
2017 Final – RMB1.0 cents per ordinary share	22,055	–

No interim dividend was proposed during the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: Nil).

On 29 June 2018, the annual general meeting of the Company approved to declare a final dividend of RMB0.01 per share of the Company for the year ended 31 December 2017. No final and interim dividend was declared in the six-month period ended 30 June 2017.

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

The calculation of basic earnings per share is based on the consolidated profit attributable to ordinary equity holders of the parent and weighted average number of ordinary shares of 2,205,531,000 (30 June 2017: 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 parent. 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	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	32,228	31,778
From a discontinued operation	(1,935)	(677)
	30,293	31,101
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	2,205,531,000
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	2,205,531,000

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

** Since the exercise prices of these options exceeded the average market price of ordinary shares during the period, there was no dilutive effect as of 30 June 2018.

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets with a cost of RMB27,966,000 (the six months ended 30 June 2017: RMB14,507,000).

Items of property and equipment with a net book value of RMB22,830,000 were disposed of by the Group during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB9,854,000), excluding property and equipment disposed through disposal of a subsidiary (see Note 20).

As at 30 June 2018 the balance of impairment provision was RMB10,789,000, and impairment provision amounting to RMB2,244,000 was written off during the period ended 30 June 2018 with disposal (the six months ended 30 June 2017: RMB6,314,000), and no impairment was reversed in the period ended 30 June 2018 (the six months ended 30 June 2017: Nil) and no impairment provision was recognised in the period ended 30 June 2018 (the six months ended 30 June 2017: Nil).

As disclosed in Note 8 to the financial statements, MRL is classified as a disposal group held for sale and as a discontinued operation. The property and equipment, amounting to RMB101,068,000 as at 30 June 2018, after netting off impairment provision for property and equipment, amounted to RMB7,709,000, is included in the "assets of a disposal group classified as held for sale". And the building of Million Rank (HK) Limited, a subsidiary of MRL, with a net carrying amount of approximately RMB70,231,000 (31 December 2017: RMB70,724,000) was pledged to secure bank loans granted to Million Rank (HK) Limited (Note 17(b)).

12. INVENTORIES

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Food and beverages, and other operating items for restaurant operations, at cost	26,756	34,257

13. TRADE RECEIVABLES

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

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 1 month	11,935	19,889
1 to 2 months	980	1,660
2 to 3 months	500	1,134
Over 3 months	6,115	3,604
	19,530	26,287

The Group applies the simplified approach to provide for expected credit losses prescribed in IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of the trade receivables to measure the expected credit losses. As all of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default and there has not been a significant change in credit quality, the directors are of the opinion that no provision for impairment is necessary in respect of these balances.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Deposits and other receivables		90,422	84,457
Prepaid expense		8,974	15,585
Amount due from companies owned by the controlling shareholder	(i)	62,122	56,328
Amount due from a director of major subsidiaries in Hong Kong		13	190
Receivables from a non-controlling interest	(ii)	–	81,191
Prepayments		28,608	27,296
		190,139	265,047
Less: Non-current portion of receivables from a non-controlling interest			
– Loan to a non-controlling shareholder	(ii)	–	(44,386)
– Other long-term receivables	(ii)	–	(24,241)
Prepayments, deposits and other receivables		190,139	196,420

(i) Amounts due from companies owned by the controlling shareholder are unsecured, interest-free and repayable on demand.

(ii) The above amounts due from the non-controlling interest were RMB82,354,000 in total as at 30 June 2018 (31 December 2017: RMB81,191,000) of which the current portion was RMB18,194,000 and the non-current portion was RMB64,160,000 (RMB12,564,000 and RMB68,627,000 as at 31 December 2017). As disclosed in Note 8 to the financial statements, MRL is classified as a disposal group held for sale and as a discontinued operation. The above amounts due from the non-controlling interest were included in “assets of a disposal group classified as held for sale”.

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

15. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Cash and bank balances	254,473	304,656
Time deposits with original maturity of less than three months	113,482	152,478
Time deposits with original maturity of over three months	12,000	11,564
	379,955	468,698
Less: Pledged time deposits for bank loans:		
– Current portion	(125,482)	(151,910)
– Non-current portion	–	(11,564)
Cash and cash equivalents	254,473	305,224

Included RMB125,482,000 of time deposits which were pledged for bank loans borrowed by the Group (31 December 2017: RMB163,474,000), for details please refer to Note 17(a).

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to RMB354,554,000 (31 December 2017: RMB396,955,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland’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.

16. TRADE PAYABLES

An ageing 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 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within 3 months	27,931	42,715
3 months to 1 year	5,163	5,145
Over 1 year	1,501	1,980
	34,595	49,840

The trade payables included in the disposal group (Note 8) of RMB5,284,000 are all aged within 3 months.

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

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17. INTEREST-BEARING BANK LOANS

	30 June 2018			31 December 2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	5.00	2018	80,000	5.00	2018	80,000
Bank loans – secured	–	–	–	7.95	2018	99,000
Bank loans – secured (a)	Hibor+1.25	2018	99,486	Hibor+1.25	2018	98,636
Bank loans – unsecured	Libor+1.50	2018	65,703	Libor+1.50	2018	64,885
Bank loans – unsecured	Libor+2.30	2018	16,862	–	–	–
Current portion of long term bank loans – secured (b)	–	–	–	Hibor+1.70	2018	2,229
Current portion of long term bank loans – secured (b)	–	–	–	Hibor+2.45	2018	4,179
			262,051			348,929
Non-current						
Bank loans – secured (a)	3Hibor+2.60	2020	28,834	3Hibor+2.60	2020	34,272
Bank loans – secured (b)	–	–	–	Hibor+1.70	2022	25,077
Bank loans – secured (b)	–	–	–	Hibor+2.45	2020	5,224
			28,834			64,573
			290,885			413,502
Analysed into:						
Bank loans repayable:						
Within one year or on demand			262,051			348,929
In the second year			–			–
In the third to seventh years, inclusive			28,834			64,573
			290,885			413,502

(a) The bank loans borrowed by the Company are secured by the pledge of certain of the Group's time deposits amounting to RMB125,482,000 (31 December 2017: RMB163,474,000 and RMB40,000,000 has been released on 4 January 2018 to match with the loan balance).

(b) The bank loans borrowed by POKKA HK are secured by POKKA HK's building, which had a net carrying value of approximately RMB70,231,000 as at 30 June 2018 (31 December 2017: RMB70,724,000). In April 2018, POKKA HK repaid the loan and replaced with a new loan. The new loan was also secured by POKKA HK's building. As disclosed in Note 8 to the financial statements, MRL is classified as a disposal group held for sale and as a discontinued operation. The loan was included in "liabilities directly associated with the assets classified as held for sale".

18. SHARE CAPITAL**Shares**

	30 June 2018 RMB'000 (unaudited)	31 December 2017 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

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

	Number of shares in issue	Share capital RMB'000	Share premium account RMB'000	Capital redemption reserve RMB'000	Total RMB'000
At 1 January 2017, 31 December 2017 and 30 June 2018	2,213,031,000	18,393	723,842	27	742,262

19. SHARE-BASED PAYMENTS

The rights issue of shares on the basis of one share for every two existing shares (“**Rights Issue**”) 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 two pre-IPO share options schemes adopted by the company on 10 February 2010 and 15 March 2011 (and amended on 10 August 2011) (the “**Pre-IPO Share Option Schemes**”) and a share option scheme adopted by the Company on 4 July 2012 (“**the Share Option Scheme**”).

(1) Pre-IPO Share Option Schemes

The Pre-IPO Share Option 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 Share Option 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 Share Option 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 determined 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 Share Option Schemes, if earlier.

The following share options were outstanding under the Pre-IPO Share Option Schemes during the six-month period ended 30 June 2018 and 2017:

	Six-month period ended 30 June 2018		Six-month period ended 30 June 2017	
	Weighted average exercise price per share RMB	Number of options '000	Weighted average exercise price per share RMB	Number of options '000
At the beginning of the period		19,808		21,808
Forfeited during the period	1.024	(757)	1.079	(364)
At the end of the period		19,051		21,444

No share options were exercised during the six-month periods ended 30 June 2018 and 2017.

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

The exercise prices and exercise periods of the share options under the Pre-IPO Share Option Schemes outstanding as at 30 June 2018 are as follows:

Number of options '000	Exercise price (after adjustment due to the Rights Issue) RMB per share	Exercise period
6,927	0.99	1 January 2012 to 11 February 2020
181	0.99	1 January 2012 to 21 June 2020
892	0.99	1 January 2012 to 1 September 2020
1,014	1.09	1 January 2012 to 15 December 2020
6	1.09	1 January 2012 to 26 January 2021
1,314	1.09	1 January 2012 to 22 March 2021
994	1.09	1 January 2012 to 22 March 2021
942	1.09	1 July 2012 to 1 July 2021
63	1.09	1 July 2012 to 1 July 2021
2,757	1.09	1 July 2012 to 12 August 2021
374	1.17	1 July 2012 to 12 August 2021
1,124	1.17	1 January 2013 to 15 January 2022
2,463	1.17	1 January 2013 to 15 May 2022
19,051		

There was no share options granted under the Pre-IPO Share Option Schemes after 4 July 2012, the Company's listing date. The Group recognised no share option expense under the Pre-IPO Share Option Schemes during the six-month periods ended 30 June 2018 and 2017.

The fair value of all equity-settled share options granted before 4 July 2012, the Company's listing date, was estimated as at the date of grant using a binomial model.

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 Share Option 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 for 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 will 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 ended 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 is recognised as a share option expenses over the vesting period. 16,250,000 Compensation Shares have been transferred to the director in 2015.

(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, being 10% of the total number of the Shares in issue at the time when dealings of the Shares first commence on the Stock Exchange.

The total number of the 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 of options granted before 2017 under this scheme were of HK\$0.99, HK\$1.29 or HK\$1.49 after exercise price adjustment due to the Rights Issue (HK\$1, HK\$1.3 or HK\$1.5 before the adjustment).

On 2 May 2017, the Company granted 85,000,000 options at an exercise price of HK\$0.50 per Share under the Share Option Scheme and the exercise of which would be conditional upon the achievement of certain performance conditions.

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 2018 and 2017:

	Six-month period ended 30 June 2018		Six-month period ended 30 June 2017	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
	HK\$	'000	HK\$	'000
At the beginning of the period		111,622		30,422
Granted during the period	–	–	0.500	85,000
Forfeited during the period	1.351	(1,073)	1.313	(1,928)
At the end of the period		110,549		113,494

No share options under the Share Option Scheme were exercised during the six-month periods ended 30 June 2018 and 2017.

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.

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 30 June 2018 are as follows:

Number of options '000	Exercise price (after adjustment due to the Rights Issue) HK\$ per share	Exercise period
7,792	1.49	23 August 2013 to 22 August 2023
5,723	1.49	1 July 2015 to 29 June 2024
4,814	1.29	1 July 2015 to 29 June 2024
2,281	1.29	1 January 2016 to 31 December 2024
4,939	0.99	1 January 2016 to 31 December 2024
85,000	0.50	1 October 2017 to 2 May 2027
110,549		

There were no share options granted under the Share Option Scheme during the six-month period ended 30 June 2018. The fair value of the options granted during the six-month period ended 30 June 2017 was approximately RMB12,467,000, of which the Group recognised a share option expense of nil as the performance conditions were not achieved. The Group didn't recognise share option expense for the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: nil).

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

The fair value of all equity-settled share options under the Share Option Scheme granted during the six-month period ended 30 June 2018 was estimated as at the date of grant using a binomial model, taking into account the following:

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividend yield (%)	0.00%	0.00%
Expected volatility (%)	37.20%-40.70%	37.20%-40.70%
Risk-free interest rate (%)	1.36%-1.90%	1.36%-1.90%
Maturity date	2 May 2027	2 May 2027
Weighted average exercise price (HK\$ per share)	1.06	1.06

As at 30 June 2018, the Company had 19,051,000 and 110,549,000 share options outstanding under the Pre-IPO Share Option 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 129,600,000 additional ordinary shares of the Company and additional share capital of RMB1,093,000 and share premium of RMB83,832,000 (before issue expense).

20. DISPOSAL OF A SUBSIDIARY

On 9 February 2018, the Group disposed of Shanghai Xiao Nan Guo Nutritional Food Co., Ltd., a 100% indirectly-owned subsidiary of the Company, to an independent third party of the Group.

	Note	Six-month period ended 30 June 2018 RMB'000 (unaudited)
Net liabilities disposed of:		
Property and equipment		644
Trade payables		10
Other payables and accruals		(1,905)
		(1,251)
Satisfied by:		
Cash and cash equivalents		1,422
Gain on disposal of a subsidiary	5	2,673

21. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Within one year	230,214	249,504
In the second to fifth years, inclusive	631,417	649,867
After five years	100,412	158,791
	962,043	1,058,162

22. COMMITMENTS

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

	30 June 2018 RMB'000 (unaudited)	31 December 2017 RMB'000 (audited)
Contracted, but not provided for:		
Leasehold improvements	2,884	7,447

23. RELATED PARTY TRANSACTIONS

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

	Notes	Six-month period ended 30 June	
		2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Property rental expense	(i)	260	3,282
Integrated property management expense	(ii)	–	557
Purchase of goods and service	(iii)	10,921	58,208
Sales of goods and service	(iv)	8,045	8,740
Actual Spending on Pre-paid Cards	(v)	25,497	32,854
Commission paid for Pre-paid Cards	(v)	255	329

Notes:

- (i) The Group entered into a lease agreement with Xiao Nan Guo (Group) Co., Ltd., a company owned by the controlling shareholder of the Company, 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 2018 was RMB260,000 (30 June 2017: RMB1,488,000).

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. The Group didn't lease the banquet hall in 2018. During the period ended 30 June 2017, the rental charged by Xiao Nan Guo (Group) Co., Ltd. was RMB1,794,000.

- (ii) 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) Co., Ltd. has agreed to provide property management service to the Group. No property management service was provided since 2018. During the period ended 30 June 2017, the management fee charged by Xiao Nan Guo (Group) Co., Ltd. was RMB557,000.
- (iii) The Group entered into a procurement framework agreement with Shanghai Zhongmin Supply Chain Management Co., Ltd., ("Zhongmin Supply Chain"), a company indirectly owned by the controlling shareholder, pursuant to which the Group may procure food ingredients and other non-food items used for restaurant operations from Zhongmin Supply Chain, for the period commencing from 1 June 2016 to 31 May 2017 and extended to 31 May 2018 on 1 June 2017, and further extended to 31 December 2020 on 1 May 2018. The Group has procured food ingredients and non-food items of RMB10,921,000 from Zhongmin Supply Chain during the six-month period ended 30 June 2018 (30 June 2017: RMB58,208,000). The pricing of such food ingredients and non-food items shall be determined with reference to the costs and the prevailing market price and procurement quantity of similar food ingredients and non-food items.
- (iv) The Group provided banquet food to Shanghai WH Ming Hotel Co., Ltd. ("WH Ming Hotel"), a hotel owned by the controlling shareholder of the Company, upon request for banquet arrangements at the hotel premises for the customers of WH Ming Hotel pursuant to a framework banquet food provision agreement dated 27 March 2018. 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 term of the framework banquet food provision agreement was effective from 1 January 2018 to 31 December 2019. The income generated from banquet food provided to WH Ming Hotel amounted to RMB8,045,000 during the period ended 30 June 2018 (30 June 2017: RMB8,740,000).

23. RELATED PARTY TRANSACTIONS (continued)

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

Notes: (continued)

- (v) The Group entered into a Pre-paid Cards Agreement in 2014 with Shanghai Xiao Nan Guo Enterprises Service Information Development Limited ("XNG Information Development"), a company indirectly owned by Wang Bai Xuan Tiffany, who is the daughter of the controlling shareholder of the Company. Pursuant to the agreement, the pre-paid cards can be used at the Shanghai Min Restaurants, the WH Ming Hotel as well as other businesses operated by the controlling shareholder. The actual spending is the amount which the pre-paid card holders have actually spent at the Shanghai Min Restaurants (including Shanghai Min, Maison De L'Hui, the dining room and Shanghai Min's family restaurants) via the pre-paid cards, which amounted to RMB25,497,000 (30 June 2017: RMB32,854,000). The commission rate payable to XNG Information Development shall be 1% of the actual dining expenses, which amounted to RMB255,000 (30 June 2017: RMB329,000), of a pre-paid card holder for every bill (before discount (if any)) at the Shanghai Min Restaurants.

(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.

(c) Outstanding balances with related parties

The amounts due from the companies owned by the controlling shareholder are disclosed in Note 14 to the financial statements. These balances are unsecured, interest-free and have no fixed terms of repayment.

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

(d) Compensation of key management personnel of the Group

	Six-month period ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	2,638	3,106
Equity-settled share-based payment	-	-
Total compensation paid to key management personnel	2,638	3,106

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.

24. 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 2018 (unaudited)*Financial assets*

	Financial asset at fair value through other comprehensive income RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Non-current financial assets	36,946	–	36,946
Long-term rental deposits	–	88,435	88,435
Trade receivables	–	19,530	19,530
Financial assets included in prepayments, deposits and other receivables	–	112,953	112,953
Pledged deposits	–	125,482	125,482
Cash and cash equivalents	–	254,473	254,473
	36,946	600,873	637,819

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term payables	70,787
Trade payables	34,595
Dividends payable	22,055
Financial liabilities included in other payables and accruals	98,039
Interest-bearing bank loans	290,885
	516,361

24. 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 2017 (audited)**Financial assets**

	Financial asset at fair value through profit or loss RMB'000	Financial asset at fair value through other comprehensive income RMB'000	Financial assets at amortized cost RMB'000	Total RMB'000
Non-current financial assets	–	67,755	–	67,755
Long-term rental deposits	–	–	95,052	95,052
Loan to a non-controlling shareholder	–	–	44,386	44,386
Other long-term receivables	–	–	24,241	24,241
Trade receivables	–	–	26,287	26,287
Financial assets included in prepayments, deposits and other receivables	–	–	121,440	121,440
Financial asset at fair value through profit or loss	226	–	–	226
Pledged deposits	–	–	163,474	163,474
Cash and cash equivalents	–	–	305,224	305,224
	226	67,755	780,104	848,085

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term deferred payment	24,241
Long-term payables	78,158
Trade payables	49,840
Financial liabilities included in other payables and accruals	90,842
Interest-bearing bank loans	413,502
	656,583

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 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 table provides the fair value measurement hierarchy of the Company's financial instruments measured at fair value as at 30 June 2018:

Financial assets measured at fair value

	Fair value measurements categorised into			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Unlisted equity investment, at fair value	–	–	14,000	14,000
Listed equity investment, at fair value	22,946	–	–	22,946
	22,946	–	14,000	36,946

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	14%	10% increase/(decrease) in expected yield would result in (decrease)/increase in fair value by RMB1,428,000

26. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 29 June 2018, Bright Charm (a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with, among others, Rosy Metro, pursuant to which, Bright Charm has conditionally agreed to transfer 65% of the total issued share capital in MRL to Rosy Metro at a consideration of HK\$175.5 million. The conditions of the disposal have been fulfilled and the disposal was completed on 21 July 2018.

27. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (Note 8).

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 August 2018.

Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

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

For the six months ended 30 June 2018, 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. Weng Xiangwei resigned as the non-executive Director with effect from 4 July 2018 due to his personal working arrangements.

Mr. Lui Wai Ming was appointed as the chief financial officer of Ta Yang Group Holdings Limited, a company listed on main board in Hong Kong (stock code: 1991) on 1 August 2018. He was an executive director of Hosa International Limited, a company listed on main board in Hong Kong (stock code: 2200) from 1 April 2016 to 31 July 2018.

Ms. Wu Wen has been re-designated from an executive Director to a non-executive Director with effect from 15 March 2018.

Ms. Xu Dongsheng resigned as the chief operation officer of the Company with effect from June 30 2018 because she needs more time to deal with her 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 2017 Annual Report.

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

As at 30 June 2018, 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	40,873,693 (L) ⁽⁶⁾	1.85%
	Beneficial owner	5,000,000(L) ⁽⁶⁾	0.23%
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%
Lui Wai Ming	Beneficial owner	1,000,000(L) ⁽⁹⁾	0.05%
Wu Chun Wah	Beneficial owner	1,000,000(L) ⁽¹⁰⁾	0.05%
Lin Lijun	Beneficial owner	1,000,000(L) ⁽¹¹⁾	0.05%

Notes:

- (1) "L" denotes long position in the Shares held by the Directors.
- (2) The relevant Shares were held by Value Boost Limited. The entire issued share capital of Value Boost Limited was held by Extensive Power Limited which acted as the trustee of The Wang Trust. The Wang Trust was a trust established by Ms. Wang Huimin, an executive Director, as the settlor and the trustee on 27 August 2011. The beneficiaries of The Wang Trust were Ms. Wang Huimin and in the event of her decease her estate administrator. Therefore, Ms. Wang Huimin and Extensive Power Limited were deemed to be interested in the Shares held by Value Boost Limited under the SFO.
- (3) The relevant Shares were held by Ms. Wang Huimin as trustee. Therefore, Ms. Wang Huimin, the executive Director, was 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 (announced on 2 May 2017).
- (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 40,873,693 Shares and was interested as a grantee of options to subscribe for up to 5,000,000 Shares under the Share Option Scheme (announced on 2 May 2017).
- (7) The relevant Shares were held by Well Reach Limited. Ms. Wu Wen, a non-executive Director, owned the entire issued share capital of Brilliant South Limited, which beneficially owned 100% of the issued share capital 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% of the issued share capital 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. 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 (announced on 2 May 2017).
- (10) 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 (announced on 2 May 2017).
- (11) 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 (announced on 2 May 2017).

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 were 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.

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 RMB0.99, RMB1.09 or RMB1.17 by the grantee taking into consideration of the exercise price adjustment of the options upon the Rights Issue (RMB1 or RMB1.1 or RMB1.175 of the exercise price before the Rights Issue).

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 2018 to 30 June 2018, no share options granted under the Pre-IPO Share Option Schemes have been exercised or cancelled and 757,260 shares options granted under the Pre-IPO Share Option Schemes have been lapsed. As at 30 June 2018, 19,050,948 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 2018 are as follows:

Name of the grantee	As at	During the	During the	During the	During the	As at
	1 January 2018	6-month period ended 30 June 2018	6-month period ended 30 June 2018	6-month period ended 30 June 2018	6-month period ended 30 June 2018	30 June 2018
	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)	19,808,208	–	–	–	757,260	19,050,948

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 2018 are set out below:

Participants	Date of grant of Option	Exercise Period of Option	Exercise Price of Option RMB per share	No. of outstanding option as at 30 June 2018 '000
Employees	11 February 2010	1 January 2012 to 11 February 2020	1	6,927
	21 June 2010	1 January 2012 to 21 June 2020	1	181
	1 September 2010	1 January 2012 to 1 September 2020	1	892
	15 December 2010	1 January 2012 to 15 December 2020	1.1	1,014
	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	1,314
	22 March 2011	1 January 2012 to 22 March 2021	1.1	994
	1 July 2011	1 July 2012 to 1 July 2021	1.1	942
	1 July 2011	1 July 2012 to 1 July 2021	1.1	63
	12 August 2011	1 July 2012 to 12 August 2021	1.1	2,757
	12 August 2011	1 July 2012 to 12 August 2021	1.1	374
	15 January 2012	1 January 2013 to 15 January 2022	1.175	1,124
	15 May 2012	1 January 2013 to 15 May 2022	1.175	2,463
	Total			

Note: Affected by the Right Issue in July 2016, the details of exercise price of the options under the Pre-IPO Share Option Schemes after adjustment upon the Right Issue of the Company are set out on page 41 of this report.

(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. No share option was granted under the Share Option Scheme for the period from 1 January 2018 to 30 June 2018.

The summary of the share options granted under the Share Option Scheme that were still outstanding as at 30 June 2018 is as follows:

Name of the grantee	As at	During the	During the	During the	During the	As at
	1 January 2018	6-month period ended 30 June 2018	6-month period ended 30 June 2018	6-month period ended 30 June 2018	6-month period ended 30 June 2018	30 June 2018
	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
Directors	15,000,000	–	–	–	–	15,000,000
Employees	96,622,137	–	–	103,950	968,940	95,549,247
Directors and Employees (in aggregate)	111,622,137	–	–	103,950	968,940	110,549,247

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 2018 are set out below:

Participants	Date of grant of Option	Exercise Period of Option	Exercise Price	No. of
			of Option HK\$ per share	outstanding option as at 30 June 2018 '000
Ms. Wang Huimin	2 May 2017	1 October 2017 to 2 May 2027	0.5	7,000
Ms. Zhu Xiaoxia	2 May 2017	1 October 2017 to 2 May 2027	0.5	5,000
Mr. Lin Lijin	2 May 2017	1 October 2017 to 2 May 2027	0.5	1,000
Mr. Lui Wai Ming	2 May 2017	1 October 2017 to 2 May 2027	0.5	1,000
Dr. Wu Chun Wah	2 May 2017	1 October 2017 to 2 May 2027	0.5	1,000
Employees	23 August 2013	1 July 2014 to 23 August 2023	1.5	7,792
	30 June 2014	1 July 2015 to 30 June 2024	1.5	5,723
	30 June 2014	1 July 2015 to 30 June 2024	1.3	4,814
	1 January 2015	1 January 2016 to 1 January 2025	1.3	2,281
	1 January 2015	1 January 2016 to 1 January 2025	1	4,939
	2 May 2017	1 October 2017 to 2 May 2027	0.5	70,000
Total				110,549

Note: Affected by the Right Issue in July 2016, the details of exercise price of the options after adjustment upon the Right Issue of the Company are set out on Page 43 of this report.

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

As at 30 June 2018, 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%
Weng Xiangwei	Interest in controlled corporation	167,887,000(L) 167,887,000(S) ⁽³⁾	7.59%
Shen Xia	Interest in controlled corporation	167,887,000(L) 167,887,000(S) ⁽³⁾	7.59%
Elite Converge Limited	Interest in controlled corporation	167,887,000(L) 167,887,000(S) ⁽³⁾	7.59%
Sunshine Property I Limited	Beneficial owner	167,887,000(L) 167,887,000(S) ⁽³⁾	7.59%
Shining Capital Holdings L.P.	Interest in controlled corporation	167,887,000(L) 167,887,000(S) ⁽³⁾	7.59%
Shining Capital Management Limited	Interest in controlled corporation	167,887,000(L) 167,887,000(S) ⁽³⁾	7.59%
Shining (BVI) Limited	Interest in controlled corporation	167,887,000(L) 167,887,000(S) ⁽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%
FIL Limited	Interest in controlled corporation	133,940,000(L)	6.05%
Fidelity China Special Situations PLC	Beneficial owner	132,934,000(L)	6.01%

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 owned the entire issued share capital of Shining (BVI) Limited, which beneficially owned 50% of the issued share capital of in Shining Capital Management Limited. the remaining of 50% equity interest held by Elite Converge Limited, which Mr. Shen Xia beneficially owned 100% of the issued share capital of in Elite Converge Limited, Shining Capital Management Limited in turn beneficially owned the entire issued share capital of in Shining Capital Holdings L.P., which also in turn beneficially owned the entire issued share capital of in Sunshine Property I Limited. Therefore, Mr. Weng Xiangwei, Mr. Shen Xia, Elite Converge Limited, 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 entire 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as 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 Listing Rules Model Code for the six months ended 30 June 2018.

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 as its code of corporate governance. Except as disclosed below, for the six months period ended 30 June 2018, 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, 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 2018.