Noble House (China) Holdings Limited

名軒(中國)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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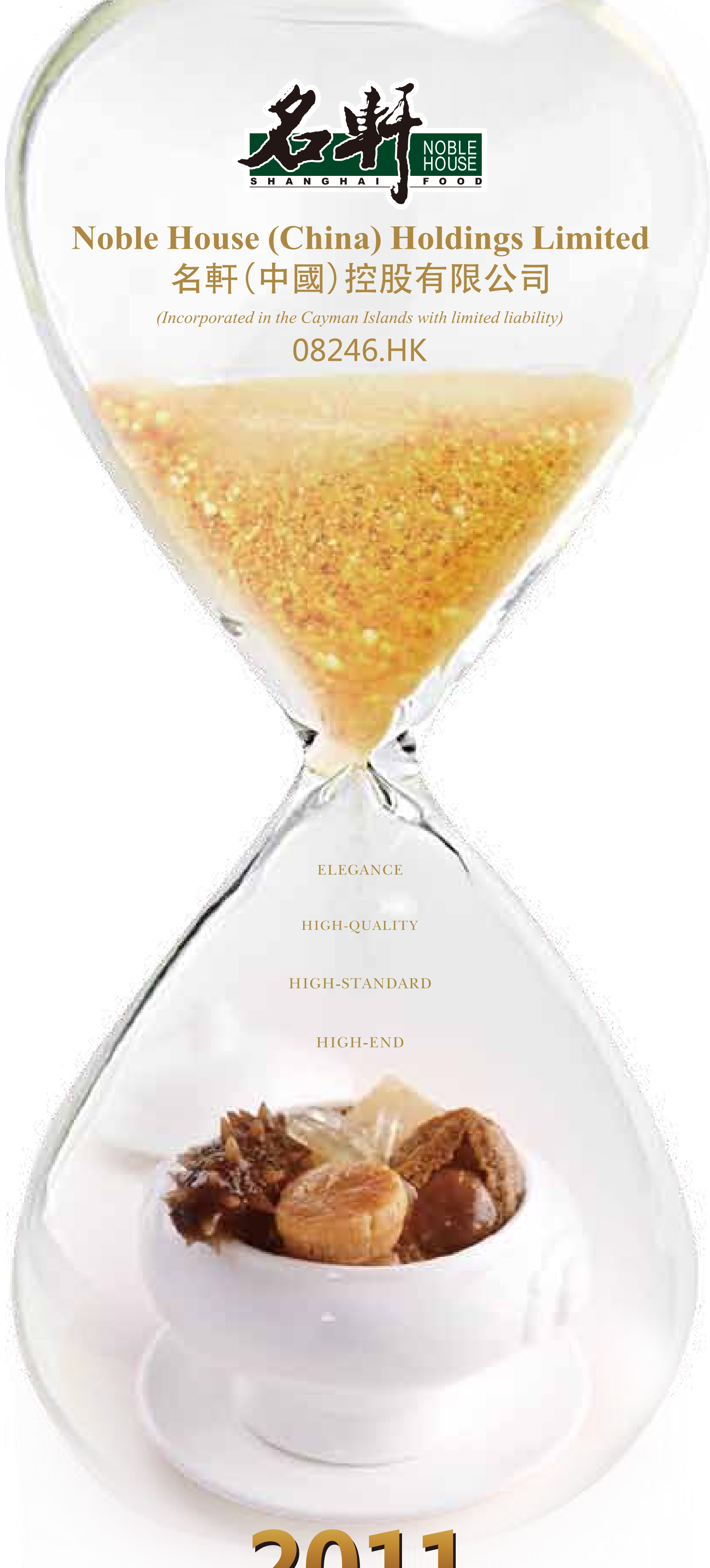


ELEGANCE

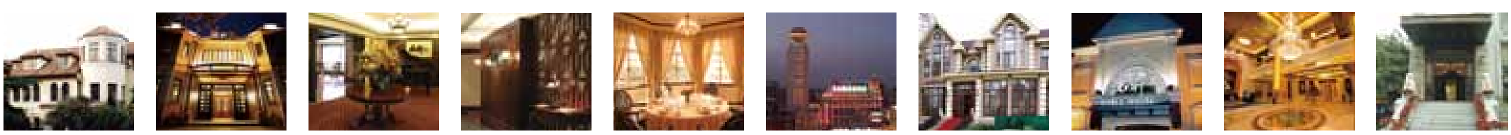
HIGH-QUALITY

HIGH-STANDARD

HIGH-END

2011

COMPANY ANNUAL REPORT



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Noble House (China) Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Chan Tai Neng *(Chairman)*
Mr. Cheung Chi Keung

Independent Non-Executive Directors

Mr. Wang Zhi Zhong
Mr. Tse Wai Chuen, Tony
Mr. Chan Chun Sing

Company Secretary

Mr. Tam Hon Fai

Compliance Officer

Mr. Cheung Chi Keung

Board Committees

Audit Committee

Mr. Chan Chun Sing *(Chairman)*
Mr. Tse Wai Chuen, Tony
Mr. Wang Zhi Zhong

Remuneration Committee

Mr. Chan Chun Sing *(Chairman)*
Mr. Chan Tai Neng
Mr. Wang Zhi Zhong

Nomination Committee

Mr. Chan Tai Neng *(Chairman)*
Mr. Chan Chun Sing
Mr. Wang Zhi Zhong

Authorised Representatives

Mr. Chan Tai Neng
Mr. Cheung Chi Keung

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

12th Floor, The Lee Gardens
33 Hysan Avenue,
Causeway Bay,
Hong Kong

Head Office in the PRC

No.24 Sub-lane 99
Lane 635, Zhennan Road,
Putuo District
Shanghai 200331,
PRC

Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited
Cricket Square,
Hutchins Drive,
P.O. Box 2681
Grand Cayman KY1-111
Cayman Islands

Hong Kong Share Registrar

Boardroom Share Registrars (HK) Limited
12th Floor,The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Legal Adviser to the Company

As to Cayman Islands law:
Conyers Dill & Pearman

Auditor

Deloitte Touche Tohmatsu

Compliance Adviser

Quam Capital Limited

Principal Banker

Industrial and Commercial Bank of China

Chairman's Statement

I am pleased to present the annual results of Noble House (China) Holdings Limited and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 ("the Year").

The Group was successfully listed in late 2011. In spite of the turbulent international financial market and adverse global economic situation during the Year, the Group managed to maintain stable growth of operating revenue driven by China's robust domestic consumption and the continued steady growth of the Chinese economy. On the other hand, the high growth of CPI throughout the year caused by natural disasters and other inflation factors, which exerted the greatest upward pressure on food prices, had a direct impact on the food and beverage industry. Increased payroll and rental expenses further intensified the pressure on the industry. In response, the Group took a series of flexible measures on a timely basis by adjusting operating strategies to alleviate the adverse impact of rising cost and successfully kept various cost items and rentals within a reasonable range. The Group achieved operating revenue of approximately RMB131.2 million, representing a year-on-year increase of RMB7.4 million, and an annual operating profit of approximately RMB77.2 million.

A plate of domestic food scandals that happened during 2011 greatly increased the significance attached by the government and the public to food safety. The Group operates with the underlying philosophy of "Si Gao (四高)" (elegance (高雅), high quality (高質), high standard (高標) and high-end (高端)) and imposes high requirements on both food ingredients and the cooking processes to honor its consistent commitment of providing safe, healthy and delicious food since its inception, which wins the trust of high-end customers and brings the Group an excellent brand reputation. With consistent emphasis on product innovation, the Group further stepped up its R&D efforts during the period and kept releasing new dishes.

During the period, the Group's ERP system, which has been put in place with continuous development for more than three years, was further upgraded in the Year and has attained a considerable degree of perfection. It is set to greatly improve the Group's overall operating efficiency and cost control, laying a solid foundation for the Group's development and growth of economies of scale.

Looking forward, the Group may face greater challenge from rising costs driven by inflation and other factors, but as the Chairman, I have full confidence in the Group's development prospect. The Group has worked out a series of measures to rise to the challenge. In 2012, the Group will step up efforts in processed food products development to expand its sources of profit growth. With an able and efficient core management team, a series of synergized management systems and a strong brand which establish and maintain our advantages in market competition, I believe the Group will create even more economic returns for our shareholders.

Lastly, I would like to take this opportunity to express my utmost gratitude to our management for their contributions to the Year's results, and to our shareholders, directors, business partners, long-term customers and employees for their consistent support and dedication.

Management Discussion and Analysis

Business review

Continuing Operations

For the year ended 31 December 2011, the Group achieved a revenue of approximately RMB131.2 million, showing an increase of approximately 6.0%, as compared to approximately RMB123.8 million for the year ended 31 December 2010. Operating margin increased by approximately 2.7% from 56.1% for the year ended 31 December 2010 to 58.8% for the year ended 31 December 2011, which was primarily due to the upward price adjustment of our menus in the second half of 2011 and the slowdown of inflation of food costs in the PRC. Before the recognition of approximately RMB8.9 million as one-off listing and related expenses for the year ended 31 December 2011 (Year ended 31 December 2010: nil), profit and total comprehensive income for the year ended 31 December 2011 amounted to approximately RMB13.8 million, representing an increase of approximately RMB5.7 million, or approximately 70.1%, as compared to approximately RMB8.1 million for the year ended 31 December 2010. Profit and total comprehensive income for the year ended 31 December 2011, net of listing and related expenses, became RMB4.9 million approximately, showing a decline of 40%, as compared to approximately RMB8.1 million for the year 31 December 2010. Basic earnings per share for the year ended 31 December 2011 was approximately RMB2.1 cents, as compared to RMB3.6 cents for the year ended 31 December 2010.

As at 31 December 2011, we owned and operated seven restaurants under the Group's own brand name "Noble House (名軒)" across different regions in the PRC, including Shanghai, Beijing, Qingdao and Chengdu, manages and operates one restaurant in Dalian, and provides restaurant management consulting services to one restaurant in Nantong. Apart from these restaurants, we operated a food plant in Shanghai ("Shanghai Food Plant"), which was primarily established to provide food production services to our restaurants. We believe the planned expansion of our restaurant network in first-tier developed cities or cities in the PRC with potential economic growth helps to promote the brand and reputation of the Group to the targeted high spending customers and facilitates the Group in capturing and stabilising market share in the high-end dining industry. In January 2012, we opened a new restaurant in Ningbo, which has a gross floor area of approximately 1,400 sq.m. and a seating capacity of approximately 200 people, and is larger and more spacious than the previous Noble House Ningbo Restaurant. The table below set forth a breakdown of the Group's revenue generated from operation of restaurants and their operating margin:

Management Discussion and Analysis

	Revenue (RMB in millions) Year ended 31 December		Operating margin[1] Year ended 31 December	
	2010	**2011**	2010	**2011**
Noble House Xuhui Restaurant, Shanghai (上海徐滙店)	28.1	**26.5**	53.3%	**55.9%**
Noble House Pudong Restaurant, Shanghai (上海浦東店)	25.6	**25.9**	54.4%	**58.1%**
Noble House Restaurant, Radisson Hotel, Shanghai (上海新世界店)	23.9	**24.9**	55.9%	**59.1%**
Noble House Luwan Restaurant, Shanghai (上海盧灣店)	6.6	**7.6**	53.3%	**56.4%**
Noble House Restaurant at Hotel Nikko New Century Beijing (北京店)	23.5	**26.0**	62.0%	**54.0%**
Noble House Qingdao Restaurant (青島店)	9.9	**9.4**	41.9%	**44.2%**
Noble House Qixin Restaurant, Shanghai (上海七莘店) *(discontinued)*[3]	3.2	**–**	54.4%	**N/A**
Others[2]	0.5	**–**	N/A	**N/A**
	121.3	**120.3**		

Notes:

1, The calculation of operating margin is based on revenue less cost of inventories consumed, divided by revenue, and multiplied by 100%.

2. Others represent the handling fee income on Pre-paid VIP Cards.

3. Since Noble House Qixin Restaurant, Shanghai incurred net loss after tax for the year ended 31 December 2009, it ceased and discontinued its restaurant operation in June 2010. The financial results of Noble House Qixin Restaurant were included as continuing operations.

   The Group manages its restaurant activities on a geographical basis, namely Beijing, Shanghai, Qingdao, Chengdu and Ningbo. Each of the geographical areas also represents an operating segment of the Group.

   The Group operated four restaurants in Shanghai as at the 31 December 2011. The closure of Noble House Qixin Restaurant did not lead to a cessation of a separate major line of business (operation of restaurants) nor a separate geographical area of operations (i.e. Shanghai). As such, the Directors are of the view that the cessation of the business of Noble House Qixin Restaurant in Shanghai does not constitute a discontinued operation in accordance with IFRS 5.

The table below set forth the average spending per customer per meal and number of visitors of the Group's restaurants owned and managed by us:

Restaurants	Approximate seating capacity (seats)	Approximate gross floor area (sq.m.)	Approximate total number of customers visited		Average spending per customer per meal (RMB)	
			Year ended 31 December 2010	**Year ended 31 December 2011**	Year ended 31 December 2010	**Year ended 31 December 2011**
Continuing restaurant operations						
Noble House Xuhui Restaurant, Shanghai (上海徐滙店)	140	978	38,447	**33,868**	732	**782**
Noble House Pudong Restaurant, Shanghai (上海浦東店)	146	800	34,820	**30,246**	735	**856**
Noble House Restaurant, Radisson Hotel, Shanghai (上海新世界店)	134	1,370	31,285	**27,677**	764	**901**
Noble House Luwan Restaurant, Shanghai (上海盧灣店)	85	781	9,805	**9,051**	676	**840**
Noble House Restaurant at Hotel Nikko New Century Beijing (北京店)	132	1,000	27,466	**26,824**	856	**970**
Noble House Qingdao Restaurant (青島店)	73	214	15,038	**13,822**	659	**680**
Discontinued restaurant operations						
Noble House Chengdu Restaurant[1] (成都店)	103	1,279	14,053	**14,916**	685	**784**
Noble House Qixin Restaurant, Shanghai[2] (上海七莘店)	220	1,398	25,388	**–**	126	**–**
Noble House Ningbo Restaurant[3] (寧波店)	84	668	9,839	**–**	575	**–**

Notes:

1. 40% of the interests in Noble House Chengdu Restaurant are currently held by the Group. During the period from April 2010 to July 2010, the entire interest in Noble House Chengdu Restaurant was held by an Independent Third Party. Prior to April 2010, 51% of the interests in Noble House Chengdu Restaurant was held by the Group.

2. Since Noble House Qixin Restaurant, Shanghai incurred net loss after tax for the year ended 31 December 2009, it ceased and discontinued its operation in June 2010.

3. Noble House Ningbo Restaurant ceased and discontinued its restaurant operation in June 2011 due to unsatisfactory profitability.

Management Discussion and Analysis

Compared to the year ended 31 December 2010, revenue from operation of restaurants for the year ended 31 December 2011 decreased slightly, primarily due to the closure of a restaurant in Shanghai in June 2010 and to the decrease in number of customers visited due to the absence of the World Expo 2010 Shanghai in 2011. Such effects were substantially offset by the continued growth in revenue from the Group's restaurant in Beijing and the increasing average spending per customer per meal due to the upward price adjustment of our menus in the second half of 2011.

In addition, the Group achieved a revenue generated from sales of processed goods of approximately RMB8.4 million, showing an increase of approximately RMB7.9 million, as compared to approximately RMB0.5 million for the year ended 31 December 2010, primarily due to the first launch of packaged hairy crab under the Group's own brand name "Noble House (名軒)", which generated revenue of RMB5.8M and the sales of hairy crab to other restaurants of RMB1.4M by the Shanghai Food Plant for the year ended 31 December 2011 (Year ended 31 December 2010: nil).

Comparison of Business Objectives with Actual Business Progress

For the year ended 31 December 2011, the Group adopted the business strategies as set out in the Prospectus of the Company. The Group will endeavour to achieve the milestone events as stated in the Prospectus during the future two years.

Financial Review

Revenue

The Group's revenue increased by approximately RMB7.4 million, or by approximately 6.0%, from approximately RMB123.8 million for the year ended 31 December 2010 to approximately RMB131.2 million for the year ended 31 December 2011, which was mainly attributable to the revenue growth of processed goods including packaged hairy crab, XO sauce with crab meat and moon cake of approximately RMB7.9 million, and increase in management services fee received of approximately RMB0.5 million. Such effects were partially offset by a slight decrease in revenue generated from operation of restaurants by approximately RMB1 million for the year ended 31 December 2011.

Gross profit margin

Gross profit represents the revenue less cost of inventories consumed. The gross profit margin of the Group increased from approximately 56.1% for the year ended 31 December 2010 to approximately 58.8% for the year ended 31 December 2011, which was primarily due to the upward price adjustment of our menus in the second half of 2011 and the slowdown of inflation of food costs in the PRC.

Other income

The Group's other income increased by approximately RMB333,000, or by approximately 35.5%, from approximately RMB939,000 in 2010 to approximately RMB1,272,000 in 2011. Such increase was mainly due to the increase of the government subsidies granted to the Group.

Other gains and losses

The Group recorded other gains of approximately RMB135,000 in 2011, while the Group recorded other losses of approximately RMB473,000. Such change was mainly due to reduction in the loss on disposal of property, plant and equipment and reverse of allowance for doubtful debts in 2011.

Cost of inventories consumed

The Group's cost of inventories consumed decreased by approximately RMB0.2 million, or by approximately 0.5%, from approximately RMB54.3 million in 2010 to approximately RMB54.1 million in 2011. Despite there was a growth in the Group's revenue, the Group has switched the inflationary cost of food ingredients to customers by adjusting the price of the Group's dishes during the period. In addition, the inflation of food costs in the PRC had slow down in the second half of 2011.

Staff cost

The Group's staff cost increased by approximately RMB2.5 million, or by approximately 12.0%, from approximately RMB20.8 million in 2010 to approximately RMB23.3 million in 2011. The increase in the staff cost was primarily due to the overall increase in the level of salaries and other employee benefits of the Group. As a percentage of the Group's revenue, staff cost slightly increased from approximately 16.8% in 2010 to approximately 17.8% in 2011 primarily as a result of the Group's headcount was increased following the expansion of the Group.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment remained stable as approximately RMB3.5 million in both 2010 and 2011, given that there was neither significant acquisition nor disposal of equipment and fixed assets in 2011.

Utilities and consumables

Utilities and consumables decreased by approximately RMB144,000, or approximately 4.0%, from approximately RMB3,571,000 in 2010 to approximately RMB3,427,000 in 2011. As a percentage of revenue, utilities and consumables decreased from approximately 2.9% in 2010 to approximately 2.6% in 2011, primarily due to the continued implementation of the Group's measures to enhance the efficiency of utilities and consumables usage and waste reduction.

Rental expenses

Rental expenses increased by approximately RMB155,000, or approximately by 1.0%, from approximately RMB16,019,000 in 2010 to approximately RMB16,174,000 in 2011, which was mainly due to the renewal of rental agreements in 2011.

Advertising and marketing expenses

Advertising and marketing expenses decreased by approximately RMB2.2 million or approximately 50.8% from approximately RMB4.3 million in 2010 to approximately RMB2.1 million in 2011, which was mainly due to the absence of large advertising activities such as World Expo 2010 Shanghai.

Management Discussion and Analysis

Other expenses

Other expenses increased by approximately RMB2.1 million, or approximately 23.5%, from approximately RMB9.0 million in 2010 to approximately RMB11.1 million in 2011, primarily due to the increased audit expenses, credit card expenses and transportation expenses.

Income tax expenses

The Group's income tax expense increased by approximately RMB1.3 million, or by approximately 31.7%, from approximately RMB4.1 million in 2010 to approximately RMB5.4 million in 2011, as a result of the increase in taxable profit in 2011 as compared to 2010. The Group's effective income tax rate increased from approximately 33.8% in 2010 to approximately 52.7% in 2011, primarily due to the recognition of approximately RMB8.9 million of one-off non-deductible listing and related expenses in 2011.

Discontinued operations

Profit for the year 31 December 2010 from discontinued operations represented the profits generated by Chengdu Noble House and Ningbo Noble House of approximately RMB429,000 and RMB20,000 respectively, and the gain on disposal of Chengdu Noble House and the related tax expense of approximately RMB1,743,000 and RMB436,000 respectively.

Profit for the year 31 December 2011 from discontinued operations represented the loss incurred by Ningbo Noble House of approximately RMB335,000.

Non-controlling interests

Non-controlling interests increased by approximately 1.6% from approximately RMB493,000 in 2010 to approximately RMB501,000 in 2011. Such increase was attributable to the increase in the aggregate amounts of profits made by the non wholly-owned subsidiaries during the year ended 31 December 2011.

Profit and total comprehensive income attributable to owners of the Company from continuing operations and net profit margin

The Group's profit and total comprehensive income attributable to owners of the Company from continuing operations decreased by approximately RMB3.2 million, or by approximately 42.1%, from approximately RMB7.6 million in 2010 to approximately RMB4.4 million in 2011. The net profit margin decreased from approximately 6.1% in 2010 to approximately 3.3% in 2011, primarily as a result of the recognition of approximately RMB8.9 million of one-off listing and related expenses in 2011 (2010: nil).

Prospects

The management is optimistic about the catering industry in the PRC and believes the Group will continue its growth and strengthen its position as a high end restaurant operator in the PRC.

Coping with our future development plan and targeting high end spending class customers and business customers, we plan to open our restaurants in the first-tier cities in order to enhance our brand reputation. We will also continue to upgrade the existing restaurants facilities and offer various training programmes to the staff to improve the dining environment and enhance customer satisfaction.

In January 2012, we opened a new restaurant in Ningbo, which has a gross floor area of approximately 1,400 sq.m. and a seating capacity of approximately 200 people, and is larger and more spacious than the previous Noble House Ningbo Restaurant.

To manage the Group's compliance status, the Audit Committee held one meeting to review the Group's compliance with GEM Listing Rules, internal control measures and all relevant laws and regulations. The results of such review were satisfactory. The Group has also appointed on external PRC legal counsel in August 2011 to advise the Group on compliance with the PRC laws and regulations after listing.

Liquidity and financial resources

The Group's funding and treasury activities are managed and controlled by the senior management. Historically, the Group funded its liquidity and capital requirements principally through cash inflow from operating activities, and shareholders' financing as well as other borrowings. Following the Company's IPO in December 2011, the Group funds its liquidity and capital requirements by the net proceeds from IPO as well as internal resources.

The Group maintained cash and bank balances of approximately RMB34.3 million as at 31 December 2011 (as at 31 December 2010: RMB5.9 million). As at 31 December 2011, the Group's total assets, net current assets and net assets were approximately RMB97.8 million (as at 31 December 2010: RMB58.1 million), approximately RMB26.7 million (as at 31 December 2010: net liabilities RMB3.5 million) and approximately RMB45.3 million (as at 31 December 2010: RMB7.4 million) respectively.

The Group also monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Gearing ratio is not applicable to the Group as at 31 December 2011 as the Group did not have any borrowings as at 31 December 2011.

Capital Structure

The shares of the Company were listed on GEM of the Stock Exchange on 30 December 2011. There has been no change in the capital structure of the Company since that date, The capital of the Company comprises of ordinary shares.

Foreign currency exposure

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. The Group's cash and bank deposits, including net proceeds from the Company's IPO, were denominated mainly in Hong Kong dollars, with some denominated in RMB. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group.

As at 31 December 2011, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 December 2011, the Group did not use any financial instruments for hedging purposes.

Management Discussion and Analysis

OTHER INFORMATION

Audit Committee

The Audit Committee was established to review the Group's financial reporting, internal controls and make relevant recommendations to the Board.

The Audit Committee comprises the three independent non-executive Directors, namely Mr. Chan Chun Sing, Mr. Tse Wai Chuen, Tony and Mr. Wang Zhi Zhong. The chairman of the Audit Committee is Mr. Chan Chun Sing. The Group annual report and results announcement for the year ended 31 December 2011 has been reviewed by the Audit Committee, which was of the opinion that such reports and results were prepared in accordance with the applicable accounting standards and requirements. The committee also monitored the Company's progress in implementing the code provisions of corporate governance practices as required under the GEM Listing Rules.

Corporate Governance

The Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 15 of the GEM Listing Rules has only become applicable to the Company since the listing of the Company's shares on the Stock Exchange on 30 December 2011. The Company and the Board had complied with the Corporate Governance Code during the period from the Listing Date up to 31 December 2011.

Model Code For Securities Transactions By Directors of Listed Issuers ("the Model Code")

The Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors from the Listing Date up to 31 December 2011.

Contingent Liabilities

As at 31 December 2011, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 31 December 2011, the Company did not pledge any assets at the end of the reporting period.

Employment and Remuneration of Employees

As at 31 December 2011, the Group had approximately 700 full time employees in the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related bonus.

A remuneration committee was set up for, inter alia, reviewing the Group's emolument policy and structure for all directors and senior management of the Group.

Purchase, Sale or Redemption of Listed Securities

Up to 31 December 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Communication with shareholders

The Board communicates with the shareholders through the annual general meetings and special general meetings. In compliance with the requirements of GEM Listing Rules, the Company issued regular reports, announcements, circulars, notice of general meetings. Shareholders can get the latest information of the Company through these publications of the Company.

On behalf of the Board
Chan Tai Neng
Executive Director

Hong Kong, 27 March 2012

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Chan Tai Neng (陳大寧), aged 63, was appointed as a Director on 8 September 2011 and designated as an executive Director and appointed as the chairman and chief executive officer of the Company on 12 December 2011. Mr. Chan, being the founder of the Group, is also the chairman of the Board and a chief executive officer. Mr. Chan is responsible for the overall corporate development and strategic planning of the Group. Mr. Chan has over 25 years of experience in the food and beverage business. Prior to the establishment of the Group in 2003, Mr Chan was a managing director of 新華海產(中國)有限公司 (Sun Wah Marine Products (China) Company Limited*) for the period from February 1982 to May 1989 responsible for overseeing and managing its business. After establishing the Group, Mr. Chan has gained a number of recognitions including the appointment as the vice president of 上海市烹飪協會 (Shanghai Culinary Association) in November 2004. Mr. Chan also has obtained a certificate of senior executive training programme issued by Tsinghua University School of Continuing Education on 18 April 2001.

Mr. Cheung Chi Keung (張志強), aged 59, was appointed as a Director on 18 October 2011 and designated as an executive Director on 12 December 2011. He is also the vice president of the Company leading the development of the Group's food products. He is responsible for quality control and overseeing the maintenance and renovation projects of the Group's restaurants.

Mr. Cheung has over 20 years of experience in the food and beverage industry. Prior to joining the Group in October 2003, he accumulated extensive experience through managing restaurant groups in Hong Kong and engaging in the sales of food related products.

Independent non-executive Directors

Mr. Wang Zhi Zhong (汪致重), aged 61, was appointed as an independent non-executive Director on 12 December 2011. Mr. Wang was appointed as the chairman of the board of directors of 上海海灣投資管理有限公司 (Shanghai Hai Wan Investment Management Limited) from 1996 to 2011 and he is currently the legal representative of 上海向陽公益基金會 (Shanghai Xiang Yang Charity Fund). Mr Wang graduated with a Master degree of science from the Southern Connecticut State University in May 1987.

Mr. Tse Wai Chuen, Tony (謝偉銓), aged 57, was appointed as an independent non-executive Director on 12 December 2011. Mr. Tse has over 35 years of experience in the field of property development, asset management and surveillance. Mr. Tse was the chairman and non-executive director of Henderson Sunlight Asset Management Limited (陽光房地產基金), the manager of Sunlight Real Estate Investment Trust (a company listed on the Main Board of the Stock Exchange with stock code 435) from February 2009 to June 2010 and the general manager of the sales department of Henderson Land Development Company Limited (a company listed on the Main Board of the Stock Exchange with stock code 12) from February 2005 to February 2009. In 2004, Mr. Tse served as the President of Hong Kong Institute of Surveyors and a member of the Town Planning Board from 2002 to 2006 and elected a member of the Election Committee (Architectural, Surveying and Planning Sector) in 2000 and again 2006.

Mr. Tse is also a member of disciplinary Panel A of the Hong Kong Institute of Certified Public Accountants, a member of Property Management Industry Training Advisory Committee, an advisor of 廣東省房地產估價師與房地產經紀人學會 (China Institute of Real Estate Appraisers and Real Estate Agents of Guangdang province) and a member of 第十二屆中國人民政治協商會議全國委員會(上海市徐滙區) (the 12th Shanghai Xihui District National Committee of Chinese People's Political Consultative Conference).

Mr. Chan Chun Sing (陳振聲), aged 32, was appointed as an independent non-executive Director on 12 December 2011. He is the chairman of the audit committee and the remuneration committee and a member of nomination committee of the Company. Mr. Chan has over nine years of accounting experience. He has worked in Deloitte Touche Tohmatsu from 2001 to 2011 and was the senior manager in audit department before his departure.

Mr. Chan graduated from The Hong Kong Polytechnic University with a bachelor's degree in accountancy in 2001. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Senior Management

Ms. Ji Jin Hua (季錦華), aged 48, is the vice-president and chief operation controller of the Group (副總裁及營運總監). Ms. Ji joined with the Group in 2003 and is responsible for overseeing and managing the daily operation of the Group's restaurants. Ms. Ji has over 20 years of operating and managing experience in the restaurant industry accumulated from working for various restaurants in Shanghai.

Mr. Huang Xiao Yuan (黃曉淵), aged 37, is the chief chef of the Group. Mr. Huang has been with the Group since 2003, and has over 17 years of culinary experience as chief chef or senior chef in a number of major restaurants and hotel groups in the PRC. He worked as an executive chef for Harbin Flamingo Hotel from September 1994 to September 1996, and subsequently worked for 凱萊酒店集團－三亞凱萊度假酒店 (Gloria Hotels & Resorts) as the first chef from October 1996. In March 2010, Mr. Huang was awarded as 中國烹飪大師 (China Master Chef) by 中國飯店業協會 (Chinese Restaurants Association).

Ms. Zhang Yan (張燕), aged 43, is the head of human resources department of the Group. Ms. Zhang has been with the Group since May 2008 and has experience in the field of administration, staff training and human resources management. Prior to joining the Group, Ms. Zhang worked as human resources manager of 上海哈貝餐飲有限公司 (Shanghai Ha Pei Restaurant Limited) from July 2002 to April 2004, product manager of 易初蓮花超市有限公司 (Yi Cu Lian Hua Supermarket) from October 2004 to March 2007 and training manager of 貝爾蒙企業管理有限公司 (Bei Er Meng Corporate Management Limited) from April 2007 to May 2008. Ms Zhang graduated from 華東師範大學 (East China Normal University) with a junior college diploma majoring in biology in July 1988.

Company Secretary

Mr. Tam Hon Fai (譚漢輝), aged 28, is the company secretary of the Group. Mr. Tam has over five years of experience in auditing and accounting. He previously worked at Deloitte Touche Tohmatsu from September 2006 to August 2011 and has become a qualified accountant of the Hong Kong Institute of Certified Public Accountants in January 2010. Mr. Tam graduated from the Hong Kong University of Science and Technology with a bachelor's degree majoring in accounting in July 2006.

Corporate Governance Report

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the year ended 31 December 2011.

Compliance with the Required Standard of Dealings in Securities Transactions by Directors

During the year, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 December 2011, he had fully complied with the required standard of dealings and there was no event of non-compliance.

Board of Directors

The Board comprises two executive directors and three independent non-executive directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its Board. It is the duty of the Board to enhance value to the shareholders of the Company. The composition of the Board and biographies of the Directors are set out on page 13 to 14 of this report.

The two executive directors are responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The three independent non-executive directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group.

Each independent non-executive director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

Number of Meetings and Directors' Attendance

Regular board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The Company listed on the Growth Enterprise Market of the Stock Exchange on 30 December 2011 and during the year ended 31 December 2011, 1 regular board meeting, 1 audit committee meeting and 1 remuneration committee meeting were held on 12 December 2011.

The individual attendance record of each Director at the meetings during the financial year is set out below:

	Attendance/Number of meetings		
Name of Directors	**Board**	**Audit committee**	**Remuneration committee**
Executive Directors			
Mr. Chan Tai Neng *(Chairman, Chief Executive Officer, Chairman of remuneration committee and nomination committee)* (Note)	1/1	N/A	1/1
Mr. Cheung Chi Keung *(Compliance officer)*	1/1	N/A	N/A
Independent Non-executive Directors			
Mr. Chan Chun Sing *(Chairman of audit committee)* (Note)	1/1	1/1	1/1
Mr. Tse Wai Chuen, Tony	1/1	1/1	N/A
Mr. Wang Zhi Zhong	1/1	1/1	1/1

The financial controller and company secretary attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Note:–

In order to comply with the forthcoming amendments to the GEM Listing Rules which will be effective on 1 April 2012, Mr. Chan Tai Neng has resigned as chairman of the remuneration committee and Mr. Chan Chun Sing has been appointed as the chairman of the Remuneration Committee with effect from 27 March 2012.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance. Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or audit committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and opened for inspection by the directors.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

Corporate Governance Report

Chairman and Chief Executive Director

In accordance with the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chan Tai Neng is the executive chairman and the chief executive officer of the Company. The Board considers that the Company is still in its growing stage and it would be beneficial to the Group for Mr. Chan to assume both roles as chairman and chief executive officer of the Company, since the two roles tend to reinforce each other and are mutually enhancing in respect of the Group's continual growth and development. When the Group has developed to a more sizeable organisation, the Board will consider splitting the two roles. With the strong business experience of the Directors, they do not expect any issues of concern would arise due to the combined role of Mr. Chan. The Group also has in place an effective internal control system, including the engagement of a professional accounting firm to conduct internal audit, to perform check and balance functions.

Audit Committee

The Company has established an audit committee on 12 December 2011 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all the independent non-executive directors, namely, Mr. Chan Chun Sing as the chairman of the audit committee, Mr. Tse Wai Chuen, Tony and Mr. Wang Zhi Zhong.

All committee members possess appropriate industry and financial experience to advise on the Group's strategy and other matters. The composition of the audit committee meets the requirements of Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The audit committee has reviewed the Company's annual audited results for the year ended 31 December 2011.

Remuneration Committee

The Company has established a remuneration committee on 12 December 2011 with written terms of reference in compliance with the GEM Listing Rules. The remuneration committee comprises one executive director, namely, Mr. Chan Tai Neng and two independent non-executive directors, namely, Mr. Chan Chun Sing and Mr. Wang Zhi Zhong. Mr. Chan Tai Neng was appointed as the chairman of the remuneration committee on 12 December 2011. During the year under review, the remuneration committee held 1 meeting to recommend to the Board the policy and structure for the remuneration of the executive directors and senior management, determining the specific remuneration packages of all the executive directors and senior management, reviewing and approving performance based remuneration and compensation for loss or termination of office payable to executive directors and senior management, ensuring no Director is involved in deciding his own remuneration and approving the service contracts of Directors and senior management.

In order to comply with the forthcoming amendments to the GEM Listing Rules which will be effective on 1 April 2012, Mr. Chan Tai Neng has resigned as chairman of the remuneration committee and Mr. Chan Chun Sing has been appointed as the chairman of the Remuneration Committee with effect from 27 March 2012. Following the change, the Remuneration Committee will consist of Mr. Chan Chun Sing being the chairman, Mr. Chan Tai Neng and Mr. Wang Zhi Zhong being the members.

Nomination Committee

The Company has established a nomination committee on 12 November 2011 with written terms of reference in compliance with the GEM Listing Rules. The nomination committee comprises one executive director namely, Mr. Chan Tai Neng and two independent non-executive directors, namely, Mr. Chan Chun Sing and Mr. Wang Zhi Zhong, with Mr. Chan Tai Neng has been appointed as the chairman of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning of the Directors.

Responsibilities in Respect of the Financial Statements

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 25 to 26.

Auditor's Remuneration

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2011 amounted to HK$1,000,000.

Internal Controls

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

Investor Relations

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (wwwn.noblehouserestaurant.cn) has provided an effective communication platform to the public and the shareholders.

Report of the Directors

The Board hereby presents its report and the audited financial statements of the Group for the year ended 31 December 2011.

Corporate Reorganization and Initial Public Offering

The Company was incorporated under the laws of the Cayman Island on 8 September 2011. Pursuant to a reorganization to rationalize the structure of the Group in preparation for the public listing of the Company's share on the GEM Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of reorganization are set out in the Prospectus.

Principal Activities

The Company acts as an investment holding company of the Group. The Group is principally engaged in restaurant operations. Details of the principal activities of the Company's subsidiaries are set out in note 36 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividend

The Group's profit for the financial year ended 31 December 2011 and the state of affairs of the Company and of the Group as at that date are set out in the audited financial statements on pages 27 to 31.

At 31 December 2011, the Company's reserve available for distribution to owners of the Company comprising share premium account amounted to approximately RMB41,442,000 (2010: RMB 6,326,000)

The Directors do not recommend the payment of any dividend in respect of the year (2010: nil).

Use of Net Proceeds from the Company's Initial Public Offering

The shares of the Company were listed on 30 December 2011 on the GEM Board of the Stock Exchange. The total net proceeds from the Listing amounted to approximately HK$50.3 million (equivalent to approximately RMB41.2 million), which are intended to be utilized in accordance with the proposed applications set out in the section headed "Business Strategies and use of proceeds" in the Prospectus. At 31 December 2011, the net proceeds remained unused.

Segment Information

Details of the segment information of the Group are set out in note 8 to the financial statements.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total revenue for the year. None of the Directors or supervisors or their associates or any of the shareholders of the Group had any interest in any of the five largest customers of the Group.

Purchases by the Group from the largest supplier amounted to RMB11.5 million in 2011, accounting for 28.1% of the total purchases of the Group for the year, while the purchases made from the five largest suppliers amounted to RMB31.6 million, accounting for 77.0% of the total purchases of the Group for the year. None of the Directors or supervisors or their associates or any of the shareholders of the Company had any interest in any of the five largest suppliers of the Group.

Property, Plant and Equipment

Details of the movements in fixed assets of the Company and the Group are set out in note 17 to the financial statements.

Share Capital

Details of the Company's share capital are set out in note 26 to the financial statements.

Reserves

Movements in the reserves of the Group during the financial year are set out in the consolidated statement of changes in equity on page 29.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year under review.

Summary of Financial Information

A summary of the results of the Group for the past three financial years is set out on page 75 of the annual report.

Directors

The directors who served during the financial year were as follows:

Executive Directors:

Mr. Chan Tai Neng *(Chairman)*	(appointed on 8 September 2011)
Mr. Cheung Chi Keung	(appointed on 18 October 2011)

Independent Non-Executive Directors:

Mr. Chan Chun Sing	(appointed 12 December 2011)
Mr. Tse Wai Chuen, Tony	(appointed 12 December 2011)
Mr. Wang Zhi Zhong	(appointed 12 December 2011)

In accordance with Article 83 and Article 84 of the Company's Articles of Association, Mr. Chan Tai Neng, Mr. Cheung Chi Keung and Mr. Chan Chun Sing shall retire from the office at the 2012 AGM and, being eligible, offer themselves for re-election at the 2012 AGM.

Report of the Directors

Directors' Service Contracts

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from 12 December 2011 renewable automatically until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to a director's fee, and is also entitled to a discretionary management bonus by reference to the consolidated net profits of the Group after taxation and non-controlling interest but before extraordinary items as the remuneration committee of the Company may approve, provide that the relevant executive Director shall abstain from voting and not counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, management bonus and other benefits payable to him.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company on 12 December 2011 and shall continue thereafter unless terminated by not less than one month's notice in writing. Each of the independent non-executive Directors is entitled to a director's fee.

None of the Directors who are proposed for re-election at the 2012 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence

The Company has received annual confirmations of independence from all three independent non-executive directors pursuant to the Rules Governing the Listing of Securities on the GEM Listing Rules. The Company considers the independent non-executive Directors to be independent pursuant to Rule 5.09 of the GEM Listing Rules as at the date of this report.

Directors' and Senior Management's Biographies

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 13 to 14 of the Annual Report.

Directors' Interests in Contracts

Save as disclosed in note 33 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

Directors' Interests in Competing Business

For the year ended 31 December 2011, the Directors were not aware of any business or interest of the Directors, the controlling shareholder, the management shareholder and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

Emoluments Policy

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group. Each Director may also receive a year end bonus in respect of each financial year. The amount of such bonus will be determined by the remuneration committee of the Board, subject to shareholders' approval at general meeting.

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out below in the section "Share option scheme".

Details of the emoluments of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in note 12 to the financial statements.

Contracts of Significance

There is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

At 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Interest in the Company

Name of director	Notes	Nature of Interest	Number of shares	Percentage of the Company's issued share capital
Mr. Chan Tai Neng	1	Interest of controlled corporation	182,000,000 (L)	65%
Mr. Cheung Chi Keung	2	Interest of controlled corporation	182,000,000 (L)	65%

Notes:

1. Mr. Chan Tai Neng is deemed to be interested in 182,000,000 Shares held by Blossom Merit Limited under the SFO.

2. Mr. Cheung Chi Keung is deemed to be interested in 182,000,000 Share held by Blossom Merit Limited under the SFO.

During the year ended 31 December 2011, there were no debt securities issued by the Group and the Company at any time.

Report of the Directors

As at 31 December 2011, none of the Directors or chief executive of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

For the year ended 31 December 2011, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Interest in the Company

Name	Capital and nature of interest	Number of shares	Percentage of the Company's issued share capital
Blossom Merit Limited (Note)	Beneficial owner	182,000,000 (L)	65%

Note:

Blossom Merit Limited, a company incorporated in British Virgin Islands on 6 July 2011 with limited liability and an investment holding company where the entire issued share capital of which is held by Mr. Chan Tai Neng and Mr. Cheung Chi Keung in the proportion of 90% and 10% respectively as at the 31 December 2011.

During the year ended 31 December 2011, there were no debt securities issued by the Group at any time.

Save as disclosed above, as at 31 December 2011, the Directors are not aware of any other person other than the Directors and the chief executive of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme has become effective on 12 December 2011. No share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 December 2011.

Interests of the Compliance Advisers

As notified by Quam Capital Limited ("Quam Capital"), the Company's compliance adviser, neither Quam Capital nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2011.

Pursuant to the agreement dated 12 December 2011 entered into between Quam Capital and the Company, Quam Capital received and will receive fees for acting as the Company's compliance adviser.

Related Party Transaction

Details of the related party transactions of the Group and the Company are set out in note 33 to the financial statements.

Corporate Governance

Principle corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on page 15 to 18.

Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of the Annual Report, the Company has maintained sufficient public float as required by the Listing Rules since the listing of the shares of the Company on the GEM Board of the Stock Exchange.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands where the Company is incorporated.

Events After the End of the Reporting Period

As at the end of the reporting period, the Group did not have any significant events after the reporting period.

Auditors

Deloitte Touche Tohmatsu retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company is to be proposed at the forthcoming annual general meeting.

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF NOBLE HOUSE (CHINA) HOLDINGS LIMITED
名軒(中國)控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Noble House (China) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 74, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Continuing Operations			
Revenue	8	**131,233**	123,821
Other income	9	**1,272**	939
Other gains and losses	10	**135**	(473)
Cost of inventories consumed		**(54,061)**	(54,324)
Staff cost		**(23,339)**	(20,843)
Depreciation of property, plant and equipment		**(3,488)**	(3,520)
Utilities and consumables		**(3,427)**	(3,571)
Rental and related expenses		**(16,174)**	(16,019)
Advertising and marketing expenses		**(2,105)**	(4,275)
Other expenses		**(11,064)**	(8,960)
Finance cost		**–**	(47)
Listing expenses		**(8,878)**	–
Impairment loss recognised in respect of goodwill		**–**	(431)
Impairment loss recognised in respect of interest in an associate		**–**	(200)
Share of results of associates		**214**	123
Profit before tax	11	**10,318**	12,220
Income tax expense	13	**(5,442)**	(4,133)
Profit and total comprehensive income for the year from continuing operations		**4,876**	8,087
Discontinued operations			
(Loss) profit and total comprehensive (expense) income for the year from discontinued operations	14	**(335)**	1,756
Profit and total comprehensive income for the year		**4,541**	9,843
Profit and total comprehensive income for the year attributable to:			
Owners of the Company			
– Profit and total comprehensive income for the year from continuing operations		**4,375**	7,594
– (Loss) profit and total comprehensive (expense) income for the year from discontinued operations		**(335)**	1,636
Profit and total comprehensive income attributable to the owners of the Company		**4,040**	9,230
Non controlling interests			
– profit and total comprehensive income for the year from continuing operations		**501**	493
– profit and total comprehensive income for the year from discontinued operations		**–**	120
Profit and total comprehensive income for the year attributable to non-controlling interests		**501**	613
		4,541	9,843
Earnings per share (RMB), basic:	16		
From continuing and discontinued operations		**0.019**	0.044
From continuing operations		**0.021**	0.036

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	17	**6,053**	8,630
Rental deposits		**1,934**	2,147
Interest in associates	18	**1,496**	123
Amount due from an associate	22	**4,055**	–
Deposits for acquisition of property, plant and equipment		**5,000**	–
		18,538	10,900
Current assets			
Inventories	19	**9,269**	7,150
Trade and other receivables	20	**16,738**	15,674
Amounts due from directors	21	**–**	16,294
Amount due from an associate	22	**2,570**	2,153
Restricted bank balance	23	**16,364**	–
Bank balances and cash	23	**34,319**	5,938
		79,260	47,209
Current liabilities			
Trade and other payables	24	**27,448**	16,751
Amounts due to directors	21	**–**	8,382
Prepayment from customers		**19,488**	14,756
Other borrowing	25	**–**	6,350
Tax liabilities		**5,588**	4,432
		52,524	50,671
NET CURRENT ASSETS (LIABILITIES)		**26,736**	(3,462)
TOTAL ASSETS LESS CURRENT LIABILITIES		**45,274**	7,438
Capital and reserves			
Share capital	26	**2,291**	528
Reserves		**41,970**	6,326
Equity attributable to owners of the Company		**44,261**	6,854
Non-controlling interests		**1,013**	584
		45,274	7,438

The consolidated financial statements on pages 27 to 74 were approved and authorised for issue by the Board of Directors on 27 March 2012 and are signed on its behalf by:

Mr. Chan Tai Neng
Director

Mr. Cheung Chi Keung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company						
	Share Capital	Share premium	Accumulated (loss) profits	Special reserve	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	528	–	(2,904)	–	(2,376)	(1,308)	(3,684)
Profit and total comprehensive income recognised for the year	–	–	9,230	–	9,230	613	9,843
Disposal of a subsidiary (note 28)	–	–	–	–	–	1,429	1,429
Dividend paid to non-controlling interests	–	–	–	–	–	(150)	(150)
At 31 December 2010 and 1 January 2011	528	–	6,326	–	6,854	584	7,438
Profit and total comprehensive income recognised for the year	–	–	4,040	–	4,040	501	4,541
Exchange of shares upon Group reorganisation (note 26(vi))	(528)	–	–	528	–	–	–
Issue of shares on public floatation (note 26(iv))	573	40,664	–	–	41,237	–	41,237
Capitalisation issue (note 26(v))	1,718	(1,718)	–	–	–	–	–
Transaction costs attributable to issue of shares	–	(7,870)	–	–	(7,870)	–	(7,870)
Dividend paid to non-controlling interests	–	–	–	–	–	(72)	(72)
At 31 December 2011	2,291	31,076	10,366	528	44,261	1,013	45,274

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Profit for the year		**4,541**	9,843
Adjustments for:			
Income tax expenses		**5,442**	4,569
Depreciation of property, plant and equipment		**3,521**	3,728
Loss on disposal of property, plant and equipment		**17**	207
Share of results of associates		**(214)**	(123)
Interest income		**(82)**	(13)
(Reverse of) allowance for doubtful debts		**(72)**	12
Impairment loss recognised in respect of goodwill		**–**	431
Impairment loss on interest in an associate		**–**	200
Finance costs		**–**	47
Gain on disposal of a subsidiary		**–**	(1,743)
Operating cash flows before movements in working capital		**13,153**	17,158
Decrease in rental deposits		**213**	42
Increase in inventories		**(2,119)**	(4,426)
Decrease (increase) in trade and other receivables		**853**	(5,240)
Increase in trade and other payables		**6,326**	1,580
Increase in prepayment from customers		**4,732**	2,702
Cash generated from operations		**23,158**	11,816
Income tax paid		**(4,286)**	(2,180)
NET CASH FROM OPERATING ACTIVITIES		**18,872**	9,636
INVESTING ACTIVITIES			
Repayment from directors		**17,336**	5,463
Repayment from an associate		**358**	2,928
Proceeds from disposal of property, plant and equipment		**108**	65
Interest received		**82**	13
Net consideration received from disposal of Chengdu Noble House Food and Beverage Co., Ltd.		**55**	–
Advance to associates		**(5,589)**	(2,237)
Deposits made for acquisition of property, plant and equipment		**(5,000)**	–
Advances to an independent third party		**(1,900)**	–
Purchase of property, plant and equipment		**(1,069)**	(4,805)
Advance to directors		**(1,042)**	(1,682)
Investment in an associate		**(400)**	–
Disposal of an independent subsidiary	28	**–**	(390)
Acquisition of a subsidiary	27	**–**	(299)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**2,939**	(944)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES			
Proceeds from issuance of shares upon listing		**41,237**	–
Placement of restricted bank balance		**(16,364)**	–
Advance from directors		**810**	598
Payment of transaction costs directly attributable to the issuance of shares		**(3,499)**	–
Repayment to directors		**(9,192)**	(4,695)
Repayment to other borrowing		**(6,350)**	(5,930)
Dividend paid to non-controlling interests		**(72)**	(150)
Increase in other borrowing		**–**	650
Interests paid		**–**	(47)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**6,570**	(9,574)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**28,381**	(882)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**5,938**	6,820
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**34,319**	5,938

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. General

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 December 2011. Its immediate holding company is Blossom Merit Limited ("Blossom Merit") (incorporated in the British Virgins Islands ("BVI")) and its ultimate controlling shareholder is Mr. Chan Tai Neng ("Mr. Chan"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business is No. 24 Sublane 99, Lane 635, Zhennam Road, Putuo District, Shanghai 200331, the People's Republic of China ("PRC").

The Company is an investment holding company. The Group is principally engaged in restaurant operations in the PRC. Particulars of the subsidiaries of the Company are set out in note 35.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the Company's functional currency.

2. Basis of Presentation of Consolidated Financial Statements

Million Merit (China) Limited ("Million Merit") was incorporated on 1 February 2007 and was owned as to 90% by Mr. Chan and 10% by Mr. Cheung Chi Keung ("Mr. Cheung"). On 12 December 2011, a total 600,000 shares of Million Merit were transferred from Mr. Chan and Mr. Cheung to Wealth Grade Limited ("Wealth Grade"). During 2007 and 2008, Million Merit directly or indirectly acquired 100% interest in Shanghai Noble House Food Service Management Company Limited ("Shanghai Noble House"), 100% interest in Shanghai Lao Fang Zi Food and Beverage Management Ltd. ("Shanghai Old Building"), 80% interest in Beijing Noble House Food and Beverage Co., Ltd. ("Beijing Noble House"), 50% interest in Qingdao Noble House Food and Beverage Co., Ltd. ("Qingdao Noble House"), 100% interest in Ningbo Noble House Food and Beverage Co., Ltd. ("Ningbo Noble House") and 100% interest in Shanghai Shang You Food and Beverage Co., Ltd. ("Shanghai Shang You"), through various acquisitions, from Mr. Chan, Mr. Cheung and/or independent third parties. During 2007, Shanghai Noble House established Chengdu Noble House Food and Beverage Co., Ltd. ("Chengdu Noble House") which was owned as to 51% by Shanghai Noble House and 49% by independent third parties. In preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange, the Group went through a group reorganisation ("Reorganisation") which includes the following major steps:

Details of the Reorganisation undertaken are as follows:

(i) Blossom Merit was incorporated in the BVI on 6 July 2011 and was owned as to 90% by Mr. Chan and 10% by Mr. Cheung.

(ii) Wealth Grade was incorporated under the laws of the BVI on 8 August 2011 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US$1.00, and one share was allotted and issued to Blossom Merit.

(iii) On 12 December 2011, Wealth Grade acquired the entire issued share capital of HK$600,000 (equivalent to approximately RMB528,000) from Mr. Chan and Mr. Cheung in consideration of Wealth Grade issuing 9 fully paid up shares to Million Merit and credited as fully paid at par.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

2. Basis of Presentation of Consolidated Financial Statements *(Continued)*

(iv) The Company was incorporated on 8 September 2011 and one nil-paid subscriber share was allotted to Mr. Chan. On the same date, the nil-paid share was transferred from Mr. Chan to Blossom Merit.

(v) On 12 December 2011, the Company acquired the entire issued share capital of Wealth Grade from Blossom Merit in consideration of which the Company allotted and issued 9,999 fully paid up shares to Blossom Merit and credited as fully paid at par the subscriber share held by Blossom Merit. After the share transfer, Wealth Grade became an intermediate holding company of the Group.

The Group Reroganisation involved incorporation of investment holdings companies between its ultimate shareholders and Million Merit and is therefore regarded as a continuing entity.

Accordingly, the consolidated financial statements of the Group have been prepared as if the Company had always been the holding company of the entities now comprising the Group. The consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows included the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the reporting periods (other than the acquisition of Shanghai Yin Jia Food Products Co., Ltd. ("Shanghai Yin Jia") and disposal of Chengdu Noble House).

The combined statement of financial position as at 31 December 2010 has been prepared to present the assets and liabilities of the companies now comprising the Group which were in existence on that date.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

The International Accounting Standards Board ("IASB") issued a number of new and revised Standards, amendments and interpretations (hereinafter collectively referred to as "new IFRSs") which are effective for the Group's financial period beginning on 1 January 2011. The Group has adopted all these new IFRSs and other existing IFRSs consistently throughout the year.

The Group has not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
IFRS 1 (Amendments)	Government Loans[2]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") *(Continued)*

IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

The directors anticipate that the application of new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements of the Group.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

4. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. Significant Accounting Policies *(Continued)*

Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognised the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

4. Significant Accounting Policies *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from restaurant operations is recognised when goods are sold and services are provided.

Revenue from sale of processed food is recognised when food are delivered.

Management service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

4. Significant Accounting Policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised into profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. Significant Accounting Policies *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors and associates, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Financial assets such as trade receivables that are assessed not to be impaired individually are, in addition, subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

4. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to directors and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Significant Accounting Policies *(Continued)*

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

Income taxes

As at 31 December 2011, no deferred tax asset has been recognised on the tax losses of RMB1,683,000 (2010: RMB1,290,000) due to the unpredictability of future profit streams. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition takes place.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

6. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes amounts due to directors and other borrowing, as set out in notes 21 and 25 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The management of the Group reviews the capital structure periodically. The management of the Group also balances the overall capital structure of the Group through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. No changes were made in the objectives, policies or processes from the prior year.

7. Financial Instruments

7a. Categories of financial instruments

	2011 **RMB'000**	2010 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**66,429**	29,349
Financial liabilities		
Amortised cost	**24,527**	28,579

7b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) directors and associates, bank balances and cash, trade and other payables and other borrowing. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The Group has foreign currency transactions, which expose the Group to market risk arising from changes in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However management closely monitors its foreign currency risk exposure and enters into foreign currency forward contracts should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities mainly include bank balances and cash and other payables denominated in Hong Kong Dollars ("HKD") at the respective reporting dates are as follows:

	2011 **RMB'000**	2010 RMB'000
Assets		
HKD	**40,157**	463
Liabilities		
HKD	**14,928**	68

Sensitivity analysis

A 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel because it represents management's assessment of the possible change in HKD against RMB rate. On the basis of the above assets and liabilities denominated in HKD at the respective reporting dates, and assuming all other variables remain unchanged, a 5% weakening of the HKD against RMB would give rise to an exchange loss and a decrease in post-tax profit for the year in the following magnitude, and vice versa:

	2011 **RMB'000**	2010 RMB'000
Profit for the year	**1,053**	16

Other than HKD, the Group does not have any other major exposure to foreign currency risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits.

The Group's fair value interest rate risk relates primarily to its fixed-rate bank deposits. It is the Group's policy to maintain a certain level of bank deposits primarily at fixed rate of interest so as to minimise the cash flow interest rate risk.

Sensitivity analysis

No sensitivity analyses been prepared as the management considers that such exposure for variable-rate bank deposits is limited.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group has concentration of credit risk in relates to the amounts due from associates amounting to RMB6,625,000 (2010:RMB2,153,000).

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual trade debt and the associates at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations.

There was no significant concentration of credit risk as the balance of the exposure is spread over a number of counterparties and customers.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of advances from directors and other borrowings, as appropriate.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

7. Financial Instruments *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity table

	Weighted average interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	Total undiscounted cash flow RMB'000	Total carrying value at 31.12.2011 RMB'000
2011					
Trade and other payables	**–**	**–**	**24,527**	**24,527**	**24,527**

	Weighted average interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	Total undiscounted cash flow RMB'000	Total carrying value at 31.12.2010 RMB'000
2010					
Trade and other payables	–	–	13,847	13,847	13,847
Amounts due to directors	–	8,382	–	8,382	8,382
Other borrowing	–	6,350	–	6,350	6,350
		14,732	13,847	28,579	28,579

7c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

8. Revenue and Segment Information

The Group's revenue represents the amount received and receivable for the operation of restaurants, provision of management services and sales of processed food, net of discount and sales related taxes, for the year.

Types of revenue

Continuing operations

	2011 RMB'000	2010 RMB'000
Operation of restaurants	**120,328**	121,294
Management services	**2,481**	2,007
Sales of processed food	**8,424**	520
	131,233	123,821

The information reported to the Group's chief operating decision maker, Mr. Chan, a director of the Company and the ultimate controlling shareholder of the Group, for the purpose of resource allocation and assessment of performance is prepared according to the geographical location of restaurants and the location where the management services are provided. Processed food was sold through restaurants operated by the Group. Hence, the Group's reportable and operating segments based on geographical location of the restaurants in the PRC are as set out below.

(i) Shanghai – operation of four restaurants, providing management services to restaurants owned by independent third parties and restaurants of the Group and operating a food processing plant,

(ii) Beijing – operation of one restaurant,

(iii) Qingdao – operation of one restaurant.

Segment information is presented below.

8. Revenue and Segment Information *(Continued)*

Year ended 31 December 2011

Continuing operations

	Shanghai RMB'000	Beijing RMB'000	Qingdao RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE						
External sales	**94,652**	**27,181**	**9,400**	**131,233**	**–**	**131,233**
Inter-segment management service fee and sales of processed food	**13,088**	**–**	**–**	**13,088**	**(13,088)**	**–**
Total	**107,740**	**27,181**	**9,400**	**144,321**	**(13,088)**	**131,233**
RESULT						
Segment result	**11,885**	**7,035**	**1,809**	**20,729**		**20,729**
Unallocated corporate expenses						**(10,625)**
Share of result of an associate						**214**
Profit before tax						**10,318**

Year ended 31 December 2010

Continuing operations

	Shanghai RMB'000	Beijing RMB'000	Qingdao RMB'000	Segment total RMB'000	Eliminations RMB'000	Total RMB'000
REVENUE						
External sales	90,399	23,512	9,910	123,821	–	123,821
Inter-segment management service fee and sales of processed food	4,618	–	–	4,618	(4,618)	–
Total	95,017	23,512	9,910	128,439	(4,618)	123,821
RESULT						
Segment result	8,447	3,892	1,305	13,644		13,644
Unallocated corporate expenses						(869)
Finance costs						(47)
Impairment loss recognised in respect of goodwill						(431)
Impairment loss recognised in respect of interest in an associate						(200)
Share of results of an associate						123
Profit before tax						12,220

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

8. Revenue and Segment Information *(Continued)*

Other segment information

Year ended 31 December 2011

Continuing operations

	Shanghai RMB'000	Beijing RMB'000	Qingdao RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss:				
Reverse of allowance for doubtful debts	**(72)**	**–**	**–**	**(72)**
Depreciation of property, plant and equipment	**2,929**	**453**	**106**	**3,488**
Interest income	**(80)**	**(1)**	**(1)**	**(82)**
Loss on disposal of property, plant and equipment	**17**	**–**	**–**	**17**

Year ended 31 December 2010

Continuing operations

	Shanghai RMB'000	Beijing RMB'000	Qingdao RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss:				
Allowance for doubtful debts	12	–	–	12
Depreciation of property, plant and equipment	2,957	461	102	3,520
Interest income	(10)	(3)	–	(13)
Loss on disposal of property, plant and equipment	207	–	–	207

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of the expenses incurred by the Group's head office. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter segment sales are charged at rates agreed between group entities.

As information on the Group's segment assets and liabilities are not regularly provided to the Group's chief operating decision maker, segment assets and liabilities are not presented.

8. Revenue and Segment Information *(Continued)*

Geographical information

All of the Group's operations are located in the PRC. The Group's revenue from external customers and all of its non-current assets are located in the PRC.

Information about major customers

There was no revenue from customer contributing over 10% of total revenue of the Group.

9. Other Income

Continuing operations

	2011 RMB'000	2010 RMB'000
Interest income	**82**	13
Government subsidy (note)	**1,190**	926
	1,272	939

Note:

During the year ended 31 December 2011, a PRC subsidiary received approximately RMB1,190,000 (2010: RMB926,000), subsidies given by the PRC government for encouragement of its business development. There were no other specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

10. Other Gains and Losses

Continuing operations

	2011 RMB'000	2010 RMB'000
Loss on disposal of property, plant and equipment	**(17)**	(207)
(Reverse of) allowance for doubtful debts	**72**	(12)
Others	**80**	(254)
	135	(473)

Notes to the Consolidated Financial Statements

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11. Profit Before Tax

Continuing operations

	2011 RMB'000	2010 RMB'000
Profit before tax has been arrived at after charging:		
Directors' emoluments (Note 12)	**144**	144
Salaries and other allowances	**19,915**	18,321
Retirement benefit scheme contributions, excluding those of directors	**3,280**	2,378
Total staff costs	**23,339**	20,843
Auditors' remuneration	**831**	95

12. Directors' and Employees' Emoluments

Directors

Details of the emoluments paid by the Group to the directors of the Company are as follows:

	2011 RMB'000	2010 RMB'000
Fee	**–**	–
Salaries and other allowances	**144**	144
Retirement benefit scheme contributions	**–**	–
	144	144
Executive directors:		
Mr. Chan	**72**	72
Mr. Cheung	**72**	72
Independent non-executive directors:		
Mr. Wang Zhi Zhong*	**–**	–
Mr. Tse Wai Chuen, Tony*	**–**	–
Mr. Chan Chun Sing*	**–**	–
	144	144

Note*: Appointed on 12 December 2011.

12. Directors' and Employees' Emoluments *(Continued)*

Employees

The five highest paid individuals with the highest emoluments in the Group included two (2010: two) directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries and other allowances	**173**	158
Retirement benefit scheme contributions	**40**	34
	213	192

Each of their emoluments were below HKD1,000,000.

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2010: nil). None of the directors waived any emoluments during the year (2010: nil).

13. Income Tax Expense

Continuing operations

	2011 **RMB'000**	2010 RMB'000
Enterprise income tax in the PRC		
Current tax	**5,442**	4,133

Hong Kong

No provision for taxation has been made as the Group's income neither arises in nor derived from Hong Kong.

PRC

PRC subsidiaries located in Beijing and Shanghai except Shanghai Pudong New Area were subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for both years.

For the PRC subsidiaries which are located in Shanghai Pudong New Area, their applicable income tax rates are 24% for the year ended 31 December 2011 and 25% for the years ending 31 December 2012 onwards (2010: 22%).

The PRC subsidiary located in Qingdao is subject to EIT estimated at 3% on the revenue for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

13. Income Tax Expense *(Continued)*

Continuing operations *(Continued)*

PRC *(Continued)*

The tax charge for the year can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	2011 **RMB'000**	2010 RMB'000
Profit before tax	**10,318**	12,220
Tax at EIT rate (25%)		
Tax at domestic rates applicable to profits of taxable entities in the locations concerned	**2,580**	3,055
Tax effect of expenses not deductible for tax purpose (note i)	**3,008**	915
Tax effect of income not taxable for tax purpose	**(19)**	–
Tax effect of tax losses not recognised	**98**	19
Tax effect of temporary difference not recognised	**4**	3
Effect of different income tax rate granted to PRC subsidiary in Shanghai Pudong	**(49)**	(126)
Effect of different income tax rate granted to PRC subsidiary in Qingdao	**40**	179
Tax effect of share of results of an associate	**(54)**	(31)
Others	**(166)**	119
Tax charge for the year	**5,442**	4,133

Note:

(i) The amount mainly consists of entertainment, staff welfare, fine and social insurance which are not deductible for tax purpose.

At the end of the reporting period, the Group has unused tax losses of RMB1,683,000 (31 December 2010: RMB1,290,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB1,290,000 (31 December 2010: RMB1,290,000) which will expire in 2015. The remaining RMB393,000 (31 December 2010: nil) tax losses will expire in 2016.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB9,279,000 as at 31 December 2011 (2010: RMB8,944,000), as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

14. Discontinued Operations

The (loss) profit for the year from discontinued operations is analysed as follow:

	2011 RMB'000	2010 RMB'000
Profit of Chengdu Noble House (note (a))	–	429
Gain on disposal of Chengdu Noble House (note 28)	–	1,743
Tax expense on gain on disposal of Chengdu Noble House	–	(436)
(Loss) profit of Ningbo Noble House (note (b))	(335)	20
(Loss) profit and comprehensive (expense) income for the year from discontinued operations	(335)	1,756
(Loss) profit and comprehensive (expense) income for the year from discontinued operations attributable to		
– Owners of the company	(335)	1,636
– Non-controlling interests	–	120
	(335)	1,756

Note:

(a) In March 2010, the Company disposed of its 51% equity interest in Chengdu Noble House, which was engaged in the operation of a restaurant in Chengdu (see note 28).

The results of the Chengdu Noble House from 1 January 2010 to 31 March 2010 were as follows:

	1.1.2010 to 31.3.2010 RMB'000
Revenue	2,186
Cost of inventories consumed	(755)
Staff cost	(427)
Depreciation of property, plant and equipment	(99)
Utilities and consumables	(71)
Rental expenses	(206)
Advertising and marketing expenses	(42)
Other expenses	(157)
Profit before tax	429
Income tax expense (note)	–
Profit and total comprehensive income for the year	429

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14. Discontinued Operations *(Continued)*

Note: *(Continued)*

(a) *(Continued)*

Note: Chengdu Noble House was subject to EIT at a rate of 25% for the year ended 31 December 2010. No provision for taxation had been made for the year ended 31 December 2010 since the assessable profits were wholly absorbed by tax losses brought forward.

Cash flows of Chengdu Noble House during the year ended 31 December 2010 were as follow:

	2010 RMB'000
Operating cash flows before movements in working capital	345
Net cash inflow from operating activities	1,377
Net cash inflow from investing activities	57
Net cash outflow from financing activities	(1,390)
	44

(b) In June 2011, the Company ceased the operation of a restaurant in Ningbo which was operated by Ningbo Noble House.

The results of Ningbo Noble House during the period from 1 January 2011 to 30 June 2011 and from 1 January 2010 to 31 December 2010, were as follows:

	1.1.2011 to 30.6.2011 RMB'000	1.1.2010 to 31.12.2010 RMB'000
Revenue	**1,835**	5,654
Other income	**–**	51
Other gains and losses	**(2)**	(6)
Cost of inventories consumed	**(983)**	(3,069)
Staff cost	**(665)**	(1,126)
Depreciation of property, plant and equipment	**(33)**	(109)
Utilities and consumables	**(91)**	(292)
Rental expenses	**(159)**	(545)
Advertising and marketing expenses	**(7)**	(39)
Other expenses	**(230)**	(499)
(Loss) profit before tax	**(335)**	20
Income tax expense (note)	**–**	–
(Loss) profit and total comprehensive (expense) income for the year	**(335)**	20

14. Discontinued Operations *(Continued)*

Note: *(Continued)*

(b) *(Continued)*

Note: Ningbo Noble House was subject to EIT at a rate of 25% for the year ended 31 December 2011 (2010: 25%). No provision for taxation has been made for the year ended 31 December 2011 since Ningbo Noble House had no assessable profit for the year. No provision for taxation has been made for the year ended 31 December 2010 since the assessable profits were wholly absorbed by tax losses brought forward.

Cash flows for the years ended 31 December 2011 and 2010 from Ningbo Noble House were as follow:

	2011 **RMB'000**	2010 RMB'000
Operating cash flows before movements in working capital	**(307)**	118
Net cash (outflow) inflow from operating activities	**(295)**	102
Net cash (outflow) inflow from financing activities	**(3)**	3
	(298)	105

(c) Profit for the year from discontinued operations include the following:

	2011 **RMB'000**	2010 RMB'000
Salaries and other allowances	**228**	1,199
Retirement benefit scheme contributions	**437**	354
Total staff costs	**665**	1,553

15. Dividends

Other than the dividend paid to the non-controlling interests as set out in the consolidated statement of changes in equity, no dividend were paid or proposed to other shareholders outside the Group during 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

No dividend has been proposed by the Group up to the date of issuance of this report.

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16. Earnings Per Share

For continuing and discontinued operations

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2011 **RMB'000**	2010 RMB'000
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**4,100**	9,230
Weighted average number of ordinary shares for the purpose of basic earnings per share	**210,575,342**	210,000,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the years ended 31 December 2011 and 2010 had been adjusted retrospectively assuming that the Reorganisation and the issue of shares upon capitalisation (as described in note 26 (iv)) have been effective from 1 January 2010 and accordingly, the 210,000,000 ordinary shares of the Company which were in issue and outstanding immediately after the Reorganisation and share capitalisation were assumed to have been issued and outstanding as at 1 January 2010.

No diluted earnings per share has been presented for both years as the Company has no potential dilutive ordinary shares outstanding during both years.

From continuing operations

The calculation of the basic earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2011 **RMB'000**	2010 RMB'000
Profit for the year attributable to owners of the Company	**4,040**	9,230
Add: loss (profit) for the year from discontinued operations	**335**	(1,636)
Profit for the purposes of basic earnings per share from continuing operations	**4,375**	7,594

The denominators used are the same as those detailed above.

16. Earnings Per Share *(Continued)*

From discontinued operations

The calculation of the basic earnings per share from discontinued operations attributable to the owners of the Company is based on the following data:

	2011 **RMB'000**	2010 RMB'000
(Loss) profit for the year from discontinued operations	**(335)**	1,636
Basic (loss) earnings per share from discontinued operations (RMB)	**(0.0016)**	0.0078

The denominators used are the same as those detailed above.

17. Property, Plant and Equipment

	Leasehold improvement RMB'000	**Furniture, fixtures and equipment** RMB'000	**Motor vehicles** RMB'000	**Total** RMB'000
COST				
At 1 January 2010	10,020	5,869	2,970	18,859
Additions	2,808	1,766	495	5,069
Acquisition of a subsidiary (note 27)	–	5	–	5
Disposals	–	(381)	(129)	(510)
Disposal of a subsidiary (note 28)	(361)	(345)	(108)	(814)
At 31 December 2010 and 1 January 2011	12,467	6,914	3,228	22,609
Additions	–	384	685	1,069
Disposals	(298)	(116)	(108)	(522)
At 31 December 2011	12,169	7,182	3,805	23,156
DEPRECIATION				
At 1 January 2010	6,424	3,397	957	10,778
Provided for the year	2,134	1,172	422	3,728
Disposals	–	(122)	(116)	(238)
Disposal of a subsidiary (note 28)	(90)	(195)	(4)	(289)
At 31 December 2010 and 1 January 2011	8,468	4,252	1,259	13,979
Provided for the year	1,869	1,158	494	3,521
Disposals	(298)	(99)	–	(397)
At 31 December 2011	10,039	5,311	1,753	17,103
CARRYING VALUE				
At 31 December 2011	2,130	1,871	2,052	6,053
At 31 December 2010	3,999	2,662	1,969	8,630

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17. Property, Plant and Equipment *(Continued)*

The property, plant and equipment, are depreciated on a straight-line basis over their estimated useful lives, after taking into account their residual value, as follows:

Leasehold improvement	The shorter of the period of the respective lease or 5 years
Furniture, fixtures and equipment	18%
Motor vehicles	18%

18. Interest In Associates

	2011 **RMB'000**	2010 RMB'000
Cost of unlisted investment in an associate	**400**	–
Deemed capital contribution (Note (i))	**759**	–
Share of post-acquisition profits	**337**	123
	1,496	123

As at 31 December 2011 and 2010, the Group had interest in the following associates:

Name of associate	Form of entity	Place of establishment and operation	Attributable interest in registered capital held by the Group 31 December		Principal activities
			2011	2010	
Chengdu Noble House (Note (ii))	Limited liability	PRC	**40%**	40%	Operating restaurant
Dong Hai Noble House Food and Beverage Co., Ltd. ("Dong Hai Noble House") (Note (iii))	Limited liability	PRC	**40%**	–	Operating restaurant

18. Interest In Associates *(Continued)*

Notes:

(i) Deemed capital contribution represents the imputed interest on interest-free loan to an associate.

(ii) In March 2010, the Group disposed of its entire 51% equity interests in Chengdu Noble House, it former subsidiary, to an independent third party at a cash consideration of RMB255,000. Chengdu Noble House ceased to be the subsidiary of the Group after the completion of the transaction. Details of the transaction are presented on note 28.

Subsequently, in July 2010, the Group acquired 40% equity interests in Chengdu Noble House from the independent third party at a cash consideration of RMB200,000. Accordingly, Chengdu Noble House became an associate of the Company on that day.

The investment cost of RMB200,000 has been impaired as Chengdu Noble House was in a net liability position on acquisition date and in the opinion of the management of the Group, the investment cost, representing goodwill, may not be recoverable.

(iii) In March 2011, Shanghai entered into an agreement with an independent third party ("the Venturer") to set up Dong Hai Noble House which Shanghai Noble House agreed to contribute 40% of the entity's capital.

The summarised financial information in respect of the Group's associates is set out below:

	2011 **RMB'000**	2010 RMB'000
Total assets	**18,256**	2,094
Total liabilities	**(19,326)**	(4,700)
Net liabilities	**(1,070)**	(2,606)
Revenue	**11,701**	5,343
Depreciation	**214**	81
Profit for the year	**535**	308
Group's share of profit of associates for the year	**214**	123

The results for the year ended 31 December 2010 included the results of Chengdu Noble House from the date of becoming an associate to the end of the reporting period.

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19. Inventories

	2011 RMB'000	2010 RMB'000
Food and beverages	**9,241**	7,078
Consumables	**28**	72
	9,269	7,150

20. Trade and Other Receivables

Generally, there was no credit period for sales from operation of restaurant, except for certain well established, corporate customers for which the credit terms are up to 90 days. The aged analysis of the Group's trade receivables based on invoice date at the end of the reporting period are as follows:

	2011 RMB'000	2010 RMB'000
Trade receivables:		
0 - 30 days	**1,756**	1,961
31 - 60 days	**607**	349
61 - 90 days	**302**	319
91 - 120 days	**503**	436
121 - 150 days	**133**	23
151 - 180 days	**122**	124
	3,423	3,212
Other receivables and deposits:		
Prepayments to suppliers	**8,940**	10,676
Payment on behalf of restaurants managed or serviced by the group	**847**	534
Net consideration receivable from disposal of Chengdu Noble House	**–**	55
Other deposits	**–**	34
Advances to an independent third party (note)	**1,900**	–
Others	**1,730**	1,337
Less: allowance for doubtful debts	**(102)**	(174)
	13,315	12,462
	16,738	15,674

Note: The advances was unsecured, interest free and fully repaid in January 2012.

20. Trade and Other Receivables *(Continued)*

Before accepting any new corporate customers, the Group assessed the potential customer's credit quality and defines credit limits by customer.

Included in the Group's trade receivable balances are debtors with an aggregate carrying amount of RMB758,000 as of 31 December 2011 (2010: RMB583,000), which are past due as at the reporting date for which the Group has not provided for impairment loss as the directors assessed that the balances will be recovered based on their settlement records and there has not been an adverse change in the relevant entities' credit quality. The Group does not hold any collateral over these balances.

Included in the Group's trade receivable balance is the following past due debts for which the Group has not provided for impairment loss:

Ageing of trade receivables which are past due but not impaired

	2011 RMB'000	2010 RMB'000
31 - 60 days	**–**	–
61 - 90 days	**–**	–
91 - 120 days	**503**	436
121 - 150 days	**133**	23
151 - 180 days	**122**	124
	758	583

Movement in the allowance for doubtful debts

	2011 RMB'000	2010 RMB'000
At beginning of the year	**174**	222
(Reverse of) impairment losses recognised on receivables	**(72)**	12
Amounts written off as uncollectible	**–**	(60)
At end of the year	**102**	174

Included in the allowance for doubtful debts are individually impaired other receivables with an aggregate carrying amount of RMB102,000 (2010: RMB174,000) which was not settled before the due date and considered as uncollectable.

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21. Amounts Due from (to) Directors

The amounts were non-trade nature, unsecured, interest-free and fully repaid during the year.

Directors' current accounts disclosed pursuant to section 161B of the Companies Ordinance are as follows.

			Maximum amount outstanding during	
Directors	**2011 RMB'000**	2010 RMB'000	**2011 RMB'000**	2010 RMB'000
Mr. Chan	**–**	16,256	**16,774**	19,993
Mr. Cheung	**–**	38	**143**	82
	–	16,294		

The amounts due to directors arose from temporary fund transfers, which are non-trade in nature. The amounts were unsecured, non-interest bearing and fully repaid during the year.

Details of amounts due to directors are as follows.

	2011 RMB'000	2010 RMB'000
Mr. Chan	**–**	7,168
Mr. Cheung	**–**	1,214
	–	8,382

22. Amount Due from Associates

	2011 RMB'000	2010 RMB'000
Dong Hai Noble House – non-trade (non-current) (note (a))	**4,055**	–
Chengdu Noble House – non-trade (current) (note (b))	**2,570**	2,153
	6,625	2,153

Notes:

(a) As at 31 December 2011, the amount represented an advance to finance pre-operating activities of Dong Hai Noble House and is interest free and has no fixed repayment terms. The management of the Group considered the amount will not be settled during the initial operation of Dong Hai Noble House within the next twelve months, and thus classified it as non-current asset.

(b) The amount is unsecured, interest-free and has no fixed repayment terms.

23. Bank Balances and Cash / Restricted Bank Balance

Bank balances and cash of the Group comprise cash and short-term bank deposits with original maturity of three months or less. The bank balances carry interest rates as follows:

	2011	2010
Range of interest rate per annum	**0.01% - 1.49%**	0.01% - 1.35%

Bank balances and cash and restricted bank balance that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2011 RMB'000	2010 RMB'000
HKD	**40,157**	463

Restricted bank balance represents HK$20,000,000 (equivalent to approximately RMB16,364,000) kept by a financial institute for the payment of the listing expenses. Upon settlement of all relevant listing expenses, the remaining balance was refunded to the Group in March 2012.

24. Trade and Other Payables

The credit period for trade purchases is 30 to 60 days.

Ageing analysis of the Group's trade payables based on invoice date is as follows:

	2011 RMB'000	2010 RMB'000
Trade payables:		
0 - 30 days	**2,492**	4,643
31 - 60 days	**360**	339
61 - 90 days	**155**	2,551
91 - 180 days	**368**	448
Over 180 days	**364**	835
	3,739	8,816
Other payables:		
Accruals	**2,921**	2,904
Other payables	**7,539**	5,031
Listing expenses payable	**13,249**	–
	23,709	7,935
	27,448	16,751

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24. Trade and Other Payables *(Continued)*

Trade and other payables that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2011 **RMB'000**	2010 RMB'000
HKD	**14,928**	68

25. Other Borrowing

	2011 **RMB'000**	2010 RMB'000
Interest-free loan	**–**	6,350

The amount represented advance from an independent third party for financing the business operations of the Group, which was unsecured, interest free and fully repaid during the year ended 31 December 2011.

26. Share Capital

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
– on 8 September 2011 (date of incorporation) (note i)	38,000,000	380
– increase in authorised share capital (note iii)	7,962,000,000	79,620
– at 31 December 2011	8,000,000,000	80,000
Issued and fully paid		
– issue of share on 8 September 2011 (date of incorporation) (note i)	1	–
– issue of shares upon the Reorganisation on 12 December 2011 (note ii)	9,999	–
– capitalisation issue (note iv)	209,990,000	2,100
– issue on public floatation (note v)	70,000,000	700
– at 31 December 2011	280,000,000	2,800

26. Share Capital *(Continued)*

	2011 RMB'000	2010 RMB'000 (Note (i))
Shown on the consolidated statement of financial position	**2,291**	528

Notes:

(i) The Company was incorporated on 8 September 2011 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a nominal value of HK$0.01 each and one nil-paid subscriber share with nominal value of HK$0.01 was allotted to Mr. Chan.

(ii) On 8 December 2011, the nil-paid subscriber share was transferred from Mr. Chan to Blossom Merit. On 12 December 2011, the Company acquired the entire issued share capital of Wealth Grade from Blossom Merit in consideration of which the Company allotted and issued 9,999 fully paid up shares to Blossom Merit and credited as fully paid at par the nil-paid subscriber share held by Blossom Merit. After the share transfer, Wealth Grade became a subsidiary of the Company.

(iii) Pursuant to the written resolution of the sole shareholder of the Company passed on 12 December 2011, on 29 December 2011 the authorised share capital of the Company was increased from HK$380,000 to HK$80,000,000 by the creation of a further 7,962,000,000 shares.

(iv) On 29 December 2011, the Company issued 70,000,000 shares pursuant to the Company's initial public offering at a price of HK$0.72 per share which was equivalent to approximately RMB41,237,000 in total upon the listing of the shares of the Company on the Stock Exchange. The new shares allotted and issued rank pari passu in all respects with other shares in issue to the existing shareholders.

(v) On 29 December 2011, the Company capitalised an amount of HK$2,099,900 (equivalent to approximately RMB1,718,000) standing to the credit of its share premium account to allot and issue 209,990,000 shares credited as fully paid to Blossom Merit. Such shares rank pari passu in all respects with the then existing shares.

(vi) The share capital at 31 December 2010 and up to 12 December 2011 represented the issued share capital of Million Merit. On 12 December 2011, Wealth Grade acquired the entire issued share capital of HK$600,000 (equivalent to approximately RMB528,000) from Mr. Chan and Mr. Cheung in consideration of Wealth Grade issuing 9 fully paid up shares to Million Merit and credited as fully paid at par.

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For the year ended 31 December 2011

27. Acquisition of a Subsidiary

In July 2010, the Group acquired 100% equity interest in Shanghai Yin Jia for a cash consideration of RMB300,000. The acquisition has been accounted for using the acquisition method. Shanghai Yin Jia is engaged in food processing. It was acquired so as to provide stable supply of processed food to the Group.

Details of the identifiable assets and liabilities acquired are summarised as below:

	RMB'000
ASSETS AND LIABILITIES ACQUIRED:	
Property, plant and equipment	5
Inventories	4
Trade and other receivables	31
Bank and cash balances	1
Trade and other payables	(172)
Net liabilities acquired	(131)
Goodwill (note)	431
	300
Satisfied by:	
Cash consideration paid	300
Net cash outflow arising on acquisition:	
Cash consideration paid	(300)
Cash and cash equivalents acquired	1
	(299)

Note: The management of the Group assessed the recoverable amount of Shanghai Yin Jia and determined goodwill amounting to RMB431,000 was not recoverable. Hence, an impairment loss has been recognised.

The subsidiary acquired during the year ended 31 December 2010 contributed approximately RMB520,000 to the Group's revenue and a loss of approximately RMB752,000 for the period between the date of acquisition and 31 December 2010.

If the acquisition had been completed on 1 January 2010, the total Group revenue from continuing operations for the year ended 31 December 2010 would have been approximately RMB123,821,000 and profit for the year ended 31 December 2010 would have been approximately RMB8,087,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that would actually have been achieved had the acquisitions been completed on 1 January 2010, nor is it intended to be a projection of future results.

28. Disposal of a Subsidiary

In March 2010, the Group disposed of its entire 51% equity interests in Chengdu Noble House to an independent third party at a cash consideration of RMB255,000. This transaction has resulted in the recognition of a gain of approximately RMB1,743,000 in profit or loss upon the disposal.

	RMB'000
ASSETS AND LIABILITIES DISPOSED OF:	
Property, plant and equipment	525
Inventories	400
Trade and other receivables	377
Bank balances and cash	390
Amount due to the Group	(2,844)
Trade and other payables	(490)
Amounts due to directors	(1,275)
Net liabilities disposed of	(2,917)
Non-controlling interests	1,429
	(1,488)

The gain on disposal in a subsidiary is calculated as follows:

	RMB'000
Consideration receivable (including in trade and other receivables)	255
Add: net liabilities of Chengdu Noble House attributable to the Group	1,488
Gain on disposal	1,743
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(390)
	(390)

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29. Operating Lease Commitments

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments paid under operating lease commitment in respect of premise for the year	**14,432**	16,332
Contingent lease payments	**–**	438
	14,432	16,770

At the end of the reporting period, the Group was committed to make the following future minimum lease payments in respect of rented office and premises for operations of restaurants (including continuing and discontinued operations) under non-cancellable operating leases which fall due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**14,432**	10,738
In the second to fifth year inclusive	**13,511**	9,585
	27,943	20,323

The leases are generally negotiated for a lease term from 3 to 10 years.

In respect of certain leases, some of the PRC subsidiaries are required to pay lease charges based on fixed percentage of turnover of respective restaurants.

30. Retirement Benefit Plans

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

31. Share Based Payments

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme has become effective on 12 December 2011. No share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 December 2011. Details of the Scheme are set out in the prospectus of the Company dated 20 December 2011.

The total number of shares issued and to be issued upon exercise of the options granted to a participant under the share option scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time. The share option scheme is valid and effective for a period of 10 years commencing on 30 December 2011 and may continue to be exercisable in accordance with their terms of issue.

32. Information about the Financial Position of the Company

ASSETS AND LIABILITIES

	2011 RMB'000
NON-CURRENT ASSET	
Investment in a subsidiary	**316**
CURRENT ASSETS	
Amount due from a related party	**23,293**
Amount due from a director	**1,074**
Bank balance	**16,364**
	40,731
CURRENT LIABILITIES	
Other payables	**16,929**
Net current assets	**23,802**
Total assets less current liabilities	**24,118**
OWNERS' EQUITY	
Share capital	**2,291**
Reserves	**21,827**
	24,118

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

33. Related Party Disclosures

(I) Transactions

During the year, the Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	**2011 RMB'000**	2010 RMB'000
Chengdu Noble House	Sales	**999**	70
	Management fee income	**671**	290
	Handling fee income on VIP cards	**226**	114

Note: Chengdu Noble House became an associate of the Group since July 2010.

(II) Balances

Details of balances with related parties are set out in notes 21 and 22.

(III) Compensation of key management personnel

The directors of the Company and the five highest paid employees are identified as key management members of the Group, their compensation during the year is set out in note 12.

34. Major Non-cash Transactions

During the year ended 31 December 2010, consideration receivable of RMB255,000 resulting from the disposal of 51% equity interests in Chengdu Noble House (note 28) was set off against consideration payable of RMB200,000 for acquisition of 40% equity interests in Chengdu Noble House (note 18). The remaining consideration of RMB55,000 was included in other receivables as at 31 December 2010 and was fully repaid during the year ended 31 December 2011.

35. Capital Commitment

	2011 RMB'000	2010 RMB'000
Contracted but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**500**	–

36. Particulars of Subsidiaries of the Company

Name of subsidiary	Place and date of incorporation/ establishment	Principle place of operation	Equity interest attributable to the Group 31 December 2011	2010	Share capital/ registered and paid-up capital	Principal activities
Directly owned						
富品有限公司 Wealth Grade	British Virgins Islands ("BVI") 8 September 2011	BVI	**100%**	N/A	USD1	Investment holding
Indirectly owned						
百德(中國)有限公司 Million Merit	Hong Kong 1 February 2007	Hong Kong	**100%**	100%	HKD600,000	Investment holding
上海名軒餐飲管理有限公司 Shanghai Noble House	People's Republic of China ("PRC') 22 December 2003	PRC	**100%**	100%	USD335,000	Management service
上海老房子餐飲管理有限公司 Shanghai Old Building	PRC 29 August 2002	PRC	**100%**	100%	RMB1,000,000	Operating restaurant
北京名軒樓餐飲有限公司 Beijing Noble House	PRC 28 January 2003	PRC	**80%**	80%	RMB1,000,000	Operating restaurant
成都名軒樓餐飲有限公司 Chengdu Noble House	PRC 5 December 2007	PRC	**40%**	note (i)	RMB500,000	Operating restaurant
青島名軒樓餐飲有限公司 Qingdao Noble House	PRC 17 October 2005	PRC	**50%**	50%	RMB500,000	Operating restaurant
寧波名軒樓餐飲有限公司 Ningbo Noble House	PRC 8 October 2004	PRC	**100%**	100%	RMB1,500,000	Inactive note (iv)
上海銀佳食品有限公司 Shanghai Yin Jia	PRC 19 January 2009	PRC	**100%**	note (ii)	RMB300,000	Food processing
上海尚友餐飲有限公司 Shanghai Shang Yau	PRC 31 March 2008	PRC	**N/A**	note (iii)	RMB100,000	Inactive

Notes:

(i) In March 2010, 51% of equity interests of Chengdu Noble House was disposed of to an independent third party. Subsequently, in July 2010, Shanghai Noble House acquired 40% of its equity interests from the independent third party. Chengdu Noble House became an associate of the Group since then.

(ii) The subsidiary was acquired in July 2010.

(iii) The subsidiary was deregistered in January 2010.

(iv) The subsidiary ceased its operations in June 2011 and became inactive.

Summary of Financial Information

	For the year ended 31 December		
	2009	2010	**2011**
	HK$'000	HK$'000	**HK$'000**
RESULTS — CONTINUING OPERATIONS			
Revenue	99,319	123,821	**131,233**
Profit before taxation	8,361	12,220	**10,318**
Taxation	(2,325)	(4,133)	**(5,442)**
Profit for the year	6,036	8,087	**4,876**

	For the year ended 31 December		
	2009	2010	**2011**
	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES			
Total assets	51,022	58,109	**97,798**
Total liabilities	(54,706)	(50,671)	**(52,524)**
Net (liabilities) assets	(3,684)	7,438	**45,274**

A summary of the Group's result for the three financial years and the assets and liabilities of the Group as at 31 December 2011, 2010 and 2009, as extracted from the published audited financial statements for the year ended 31 December 2011 or the prospectus of the Company dated 20 December 2011, is set out above. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.