

上海 | 小南国

SHANGHAI MIN

Xiao Nan Guo Restaurants Holdings Limited

Incorporated in the Cayman Islands with limited liability Stock Code: 1147



GLOBAL OFFERING

Sole Global Coordinator

BofA Merrill Lynch

Joint Bookrunners, Joint Sponsors and Joint Lead Managers

BofA Merrill Lynch

Standard
Chartered 

Financial Adviser

CITIC  中信証券國際
CITIC Securities International

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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SHANGHAI MIN

Xiao Nan Guo Restaurants Holdings Limited

小南國餐飲控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Global Offering

Total number of Offer Shares : 335,000,000 Shares (subject to the under the Global Offering Over-allotment Option)
Number of Hong Kong Public Offer Shares : 33,500,000 Shares (subject to adjustment)
Number of International Offer Shares : 301,500,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price : Not more than HK\$2.20 per Share and expected to be not less than HK\$1.65 per Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund on final pricing)
Nominal value : HK\$0.01 per Share
Stock code : 1147

Sole Global Coordinator

BofA Merrill Lynch

Joint Bookrunners, Joint Sponsors and Joint Lead Managers

BofA Merrill Lynch



Financial Adviser



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners, on behalf of the Underwriters, and our Company on or before September 21, 2011 or such later time as may be agreed between the parties, but in any event, no later than September 26, 2011. If, for any reason, the Joint Bookrunners, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by September 26, 2011, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$2.20 per Share and is expected to be not less than HK\$1.65 per Share although the Joint Bookrunners, on behalf of the Underwriters, and our Company may agree to a lower price. The Joint Bookrunners, on behalf of the Underwriters, may, with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus (being HK\$1.65 per Share to HK\$2.20 per Share) at any time on or prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.xiaonanguo.com as soon as practicable but in any event not later than the morning of the day which is the latest day for lodging applications under the Hong Kong Public Offering. For further information, see the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, and in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Public Offer Shares, the Joint Bookrunners, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. state securities laws. The Offer Shares are being offered and sold only (i) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (ii) outside of the United States in offshore transactions in reliance on Regulation S.

September 15, 2011

EXPECTED TIMETABLE ⁽¹⁾

Application lists open⁽²⁾11:45 a.m. on Tuesday, September 20, 2011

Latest time to lodge **WHITE** and **YELLOW**

Application Forms and giving **electronic**

application instructions to HKSCC⁽³⁾12:00 noon on Tuesday, September 20, 2011

Latest time to complete electronic applications

under the **White Form eIPO** service through

the designated website **www.eipo.com.hk**⁽⁴⁾11:30 a.m. on Tuesday, September 20, 2011

Latest time to complete payment for **White Form**

eIPO applications by effecting internet

banking transfer(s) or PPS payment transfer(s)⁽⁴⁾ ...12:00 noon on Tuesday, September 20, 2011

Application lists close12:00 noon on Tuesday, September 20, 2011

Expected Price Determination Date⁽⁵⁾Wednesday, September 21, 2011

Announcement of the Offer Price, the level of interest in

the International Offering, the level of applications in the

Hong Kong Public Offering and the basis of allocation of

the Hong Kong Public Offer Shares to be published (i) in

the *South China Morning Post* (in English); (ii) in the

Hong Kong Economic Times (in Chinese); (iii) on our

website (**www.xiaonanguo.com**); and (iv) on the website

of the Stock Exchange (**www.hkexnews.hk**) on or beforeTuesday, September 27, 2011

Results of allocations in the Hong Kong Public Offering

(with successful applicants' identification document

numbers, where appropriate) to be available through a

variety of channels as described in the section headed

"How to Apply for the Hong Kong Public Offer Shares

— Results of Allocations" in this prospectusTuesday, September 27, 2011

Results of allocations in the Hong Kong Public Offering

will be available at **www.iporeresults.com.hk** with a

"search by ID" functionTuesday, September 27, 2011

Dispatch of Share certificates in respect of wholly or

partially successful applications on or before^{(6)&(8)}Tuesday, September 27, 2011

Dispatch of refund cheques and/or e-Refund payment

instructions in respect of wholly successful (if

applicable) or wholly or partially unsuccessful

applications on or before^{(7)&(8)}Tuesday, September 27, 2011

Dealings in Shares on the Stock Exchange expected

to commence onWednesday, September 28, 2011

EXPECTED TIMETABLE ⁽¹⁾

Notes:

- (1) All times and dates refer to Hong Kong local time and dates unless otherwise stated. Details of the structure of the Global Offering, including its conditions, are set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on September 20, 2011, the application lists will not open on that day. For further information, please refer to the section headed “How to Apply for the Hong Kong Public Offer Shares — When to Apply for the Hong Kong Public Offer Shares — Effect of bad weather on the opening of the application lists” in this prospectus.
- (3) Applicants who apply for Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Hong Kong Public Offer Shares — How to Apply by Giving Electronic Application Instructions to HKSCC” in this prospectus.
- (4) You will not be permitted to submit your application through the designated website www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the date when the application lists close.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Wednesday, September 21, 2011 and, in any event, not later than Monday, September 26, 2011. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (on behalf of the Underwriters) and our Company by Monday, September 26, 2011, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Public Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the date on which our Shares are first listed and from which dealings therein are permitted to take place on the Stock Exchange, or the Listing Date, which is expected to be Wednesday, September 28, 2011. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.
- (7) e-Refund payment or refund cheques will be made or issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third-party for refund purpose. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.
- (8) Applicants who have applied on **WHITE** Application Forms or through **White Form eIPO** service for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering and have indicated in their applications that they wish to collect any refund cheques and share certificates in person, may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Tuesday, September 27, 2011. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Computershare Hong Kong Investor Services Limited at the time of collection. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their share certificates which will be deposited into CCASS for the credit of their designated CCASS participants’ stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to Apply for the Hong Kong Public Offer Shares — How to Apply by Giving Electronic Application Instructions to HKSCC” in this prospectus for details. Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be dispatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant applications. Further information is set out in the section headed “How to Apply for the Hong Kong Public Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus.

CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus or the Application Forms must not be relied on by you as having been authorized by our Company, any of the Joint Sponsors, any of the Joint Bookrunners, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at www.xiaonanguo.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the largest Chinese full-service restaurant chains for the mid- to high-end market segment in China, based on number of restaurants as of December 31, 2010 as well as sales value in 2010, according to Euromonitor International, an independent market research firm.⁽¹⁾ We own and operate restaurants under a portfolio of Chinese cuisine brands spanning diverse market segments: “Shanghai Xiao Nan Guo (上海小南國)” — our core brand and a premier mid- to high-end restaurant chain with 47 restaurants as of the Latest Practicable Date; “Maison De L’Hui (慧公館)” — a recently-developed high-end brand focused on business clientele with four restaurants as of the same date; and “the dining room (南小館)” — a pilot casual dining brand to be launched by the end of 2011 in Hong Kong. In recognition of its reputation and market awareness, the Xiao Nan Guo brand, with a history since 1987, has been designated as a “Well-known Trademark” by the SAIC, and is, we believe, one of the strongest Chinese cuisine brands in China.

We refer to the culinary style of our Shanghai Xiao Nan Guo restaurants as “Shanghainese-inspired cuisine”. By this term we intend to convey that, while our Shanghai Xiao Nan Guo restaurants focus on Shanghainese cuisine, our menu continues to evolve as we incorporate other regional flavors and international elements into our menu, develop new menu items, and refine existing dishes to meet the changing consumer taste, shifting food and nutrition trends and feedback from our guests. Throughout this ongoing evolution, however, our core mission remains the same—to serve delicious, healthy and fresh cuisine of consistent quality. We search for high quality ingredients to prepare our cuisine, and seek to preserve the natural nutrients and taste in the food by using less cooking oil and seasonings at each stage of food preparation. We believe our commitment to the health, quality and continuing evolution of our menu, together with our offering of a superior dining experience in an inviting atmosphere with attentive service to our guests, has contributed to the continuing strengthening of our customer loyalty and expansion of our customer base.

We have expanded our restaurant base in new and existing markets based on a distinctive hub-and-spoke strategy. Under this strategy, within any new regional market, we seek to initially establish a cluster of restaurant locations in key economic centers in the region, or “hubs”, allowing us to derive greater economies of scale and ensure consistent quality of food through centralized food preparation, procurement and logistics functions at our central kitchens and central warehouses. We

(1) According to Euromonitor International, full-service restaurants are traditional sit-down restaurants with full table service provided by waiters, where the focus of the guest experience is on food rather than drink; a Chinese full-service restaurant chain shall operate a minimum of ten branded outlets; and mid- to high-end market segment in China refers to the restaurants where the average guest check is in the range of RMB150 to RMB300 or above, and the dishes offered are generally made of premium food materials or ingredients. For more details, please see the section headed “Industry Overview”.

SUMMARY

leverage these centralized functions to support our expansion into neighboring cities, or the “spokes”, which, as they gain critical mass, eventually become new “hubs”. As of the Latest Practicable Date, we operated five central kitchens and five central warehouses, servicing our restaurant network of 47 Shanghai Xiao Nan Guo restaurants and 4 Maison De L’Hui restaurants, which covered some of the most affluent and fastest-growing cities in Greater China, including Shanghai, Beijing, Dalian, Suzhou, Nanjing, Tianjin, Ningbo and Hong Kong.

Our hub-and-spoke strategy provides us with a distinctive platform for disciplined growth by enabling us to open new restaurants systematically and efficiently while maintaining quality consistency. We opened 7, 6 and 11 (including 3 Maison De L’Hui restaurants and 2 temporary Shanghai Xiao Nan Guo restaurants operated during the World Expo) new restaurants in 2008, 2009 and 2010, respectively. We currently expect to open approximately 22 new restaurants in 2011, which include 14 Shanghai Xiao Nan Guo restaurants and 1 Maison De L’Hui restaurant already opened by the Latest Practicable Date. We intend to open approximately 26 and 33 new restaurants in 2012 and 2013, respectively, by increasing penetration of existing markets and expanding into new markets including cities in the eastern, northern and southern regions of Greater China.

A critical aspect of our hub-and-spoke strategy is the emphasis on standardizing operations under modern corporate management principles. Our standard operating procedures cover all of our major restaurant operation and corporate management functions. We believe that the continuing implementation of this hub-and-spoke strategy and standardization of our operations will be critical in facilitating our efforts in significantly expanding our restaurant network over the next several years.

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us to capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China’s fast-growing food and beverage industry. Our existing brands, Shanghai Xiao Nan Guo and Maison De L’Hui, are key in helping us to differentiate our cuisines and services from our competitors, and provide us with an enduring platform to develop complementary brands with potentially different pricing points. We will actively pursue opportunities to nurture a diversified brand portfolio, which will help us to reduce our exposure to risks in a specific market segment and derive efficiency and synergy across our standardized operation.

Our revenue increased by 11.1% from RMB592.9 million in 2008 to RMB659.0 million in 2009, by 32.4% from RMB659.0 million in 2009 to RMB872.5 million in 2010, and by 23.7% from RMB334.2 million in the five months ended May 31, 2010 to RMB413.5 million in the five months ended May 31, 2011. Our gross margin increased from 62.3% in 2008 to 64.5% in 2009, 65.9% in 2010 and 66.2% in the five months ended May 31, 2011. Our net profit decreased by 13.4% from RMB82.8 million in 2008 to RMB71.7 million in 2009, increased by 34.6% from RMB71.7 million in 2009 to RMB96.5 million in 2010, and increased by 10.7% from RMB28.9 million in the five months ended May 31, 2010 to RMB32.0 million in the five months ended May 31, 2011. Our net profit in 2009 was affected by costs relating to increased hiring of senior management talent as we increased focus on investment in human capital, as well as by the impact of the recent global financial crisis.

SUMMARY

COMPETITIVE STRENGTHS

We believe the following key strengths of our Company distinguish us from our competitors, and we expect that they will help us to enter a period of significant growth in the future:

- premier mid- to high-end Chinese cuisine brand in a large and fast-growing market;
- established hub-and-spoke network for rapid expansion;
- standardized operations driving scalability and efficiency;
- high quality cuisine and innovative product development;
- loyal customer base generating significant recurring revenue; and
- leadership under an experienced restaurateur complemented by an energetic professional management team.

BUSINESS STRATEGY

Our objective is to become a world-leading full-service Chinese restaurant chain operator. To this end, we intend to pursue a business strategy with the following key aspects:

- replicate success by continuing expansion under our hub-and-spoke strategy;
- capture more market segments by pursuing a multi-brand strategy;
- continue to strengthen operational infrastructure to deliver sustainable growth;
- enhance comparable restaurant sales growth and profitability; and
- continue to promote brand image and recognition.

SUMMARY

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables present summary financial information for the three years ended December 31, 2010 and five months ended May 31, 2010 and 2011 and should be read in conjunction with our consolidated financial statements and related notes included in the accountants' report set forth in Appendix I to this prospectus, and the section headed "Financial Information" in this prospectus.

Consolidated Income Statements

	For the year ended December 31,			For the five months ended May 31,	
	2008	2009	2010	2010	2011
	(Unaudited)				
	(RMB thousands)				
CONTINUING OPERATIONS					
REVENUE	592,923	658,971	872,477	334,235	413,482
Cost of inventories consumed	(223,556)	(233,671)	(297,325)	(122,101)	(139,851)
Gross profit	369,367	425,300	575,152	212,134	273,631
Other income and gains	8,745	10,548	23,109	5,771	6,642
Selling and distribution costs	(242,041)	(295,503)	(401,148)	(151,418)	(202,411)
Administrative expenses	(25,246)	(44,657)	(67,255)	(26,869)	(33,832)
Other expenses	(285)	(159)	(386)	(46)	(240)
Finance costs	(2,992)	(2,206)	(3,446)	(1,408)	(1,782)
PROFIT BEFORE TAX FROM					
CONTINUING OPERATIONS	107,548	93,323	126,026	38,164	42,008
Income tax expense	(24,317)	(21,247)	(29,940)	(9,212)	(9,999)
PROFIT FOR THE YEAR/PERIOD					
FROM CONTINUING					
OPERATIONS	83,231	72,076	96,086	28,952	32,009
DISCONTINUED OPERATION					
Profit/(loss) for the year/period from a discontinued operation	(389)	(349)	386	(36)	—
PROFIT FOR THE YEAR/PERIOD	<u>82,842</u>	<u>71,727</u>	<u>96,472</u>	<u>28,916</u>	<u>32,009</u>
Attributable to:					
Owners of the Company	<u>82,842</u>	<u>71,727</u>	<u>96,472</u>	<u>28,916</u>	<u>32,009</u>

SUMMARY

Consolidated Statements of Financial Position

	As of December 31,			As of May 31,
	2008	2009	2010	2011
	(RMB thousands)			
NON-CURRENT ASSETS				
Property and equipment	119,027	158,487	254,321	334,804
Intangible assets	—	—	—	1,894
Available-for-sale investments	12,500	12,500	100	100
Long-term rental deposits	18,965	26,124	30,507	37,461
Deferred tax assets	7,526	13,250	16,243	21,231
Other long-term assets	1,429	1,217	1,005	917
Total non-current assets	<u>159,447</u>	<u>211,578</u>	<u>302,176</u>	<u>396,407</u>
CURRENT ASSETS				
Inventories	12,743	10,561	21,801	25,074
Trade receivables	6,560	6,682	8,233	11,167
Prepayments, deposits and other receivables	138,379	216,087	199,064	183,233
Cash and cash equivalents	76,803	80,088	92,661	76,658
	<u>234,485</u>	<u>313,418</u>	<u>321,759</u>	<u>296,132</u>
Assets of a disposal group classified as held for sale	8,023	8,580	—	—
Total current assets	<u>242,508</u>	<u>321,998</u>	<u>321,759</u>	<u>296,132</u>
CURRENT LIABILITIES				
Trade payables	41,585	45,281	52,413	77,447
Interest-bearing bank loans	22,048	60,000	80,000	70,000
Tax payable	12,846	10,672	13,488	11,498
Dividends payable	66,245	66,245	204,069	196,827
Other payables and accruals	74,807	98,606	133,681	157,032
Deferred income	—	—	1,654	2,063
	<u>217,531</u>	<u>280,804</u>	<u>485,305</u>	<u>514,867</u>
Liabilities of a disposal group classified as held for sale	3,604	5,574	—	—
Total current liabilities	<u>221,135</u>	<u>286,378</u>	<u>485,305</u>	<u>514,867</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>21,373</u>	<u>35,620</u>	<u>(163,546)</u>	<u>(218,735)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>180,820</u>	<u>247,198</u>	<u>138,630</u>	<u>177,672</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	816	1,578	1,454	961
Long-term payables	10,566	12,978	17,326	23,899
Total non-current liabilities	<u>11,382</u>	<u>14,556</u>	<u>18,780</u>	<u>24,860</u>
Net assets	<u>169,438</u>	<u>232,642</u>	<u>119,850</u>	<u>152,812</u>
EQUITY				
Equity attributable to owners of the Company				
Issued capital	—	—	—	—
Reserves	169,438	232,642	119,850	152,812
Total equity	<u>169,438</u>	<u>232,642</u>	<u>119,850</u>	<u>152,812</u>

SUMMARY

Key Operation Information

We own and operate restaurants under two brands: Shanghai Xiao Nan Guo and Maison De L'Hui. Our restaurant operations are conducted in two regions: China and Hong Kong.

The following table presents the number of our restaurants by brands and regions as of the dates indicated.

	As of December 31,			As of the Latest Practicable Date
	2008	2009	2010	
Number of Restaurants:				
<i>China</i>				
Shanghai Xiao Nan Guo	16	21	27	40
Maison De L'Hui	—	—	3	4
<i>Hong Kong</i>				
Shanghai Xiao Nan Guo	5	6	6	7
Total	<u>21</u>	<u>27</u>	<u>36</u>	<u>51</u>

The following table presents our comparable restaurant sales for the periods indicated. Comparable restaurant sales for a given fiscal year refer to the revenue from all of our restaurants that qualified as comparable restaurants during that year. We define our comparable restaurant base to be those restaurants that were open throughout the periods under comparison. For example, the comparable restaurants for 2008 and 2009 are our restaurants that were open throughout both 2008 and 2009.

	For the year ended December 31,		For the year ended December 31,		For the five months ended May 31,	
	2008	2009	2009	2010	2010	2011
Number of comparable restaurants						
China	10	10	16	16	21	21
Hong Kong	4	4	5	5	6	6
Total number	<u>14</u>	<u>14</u>	<u>21</u>	<u>21</u>	<u>27</u>	<u>27</u>
Comparable restaurants sales (RMB thousands)						
China	364,902	339,218	483,005	552,052	259,620	266,339
Hong Kong	110,281	93,090	108,172	116,973	53,948	61,608
Total sales	<u>475,183</u>	<u>432,308</u>	<u>591,177</u>	<u>669,025</u>	<u>313,568</u>	<u>327,947</u>
Daily average revenue per comparable restaurant (RMB)						
China	99,973	92,936	82,706	94,529	81,873	83,992
Hong Kong	75,535	63,760	59,272	64,095	59,545	68,000
Total daily average revenue	<u>92,991</u>	<u>84,600</u>	<u>77,127</u>	<u>87,283</u>	<u>76,911</u>	<u>80,438</u>
Increase/(decrease) of comparable restaurants sales during comparable periods						
China		(7.0)%		14.3%		2.6%
Hong Kong		(15.6)%		8.1%		14.2%
Total increase/(decrease)		(9.0)%		13.2%		4.6%

SUMMARY

The following table presents our revenue by brands and regions for the periods indicated.

	For the year ended December 31						For the five months ended May 31,	
	2008		2009		2010		2011	
	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%
<i>China</i>								
Shanghai Xiao Nan Guo								
Eastern China ⁽¹⁾	393,155	68.0	430,484	67.6	576,033	68.2	261,711	64.4
Northern China ⁽²⁾	72,274	12.5	96,384	15.1	124,590	14.7	64,522	15.9
Subtotal	465,429	80.5	526,868	82.7	700,623	82.9	326,233	80.3
Maison De L'Hui	—	—	—	—	11,199	1.3	18,176	4.5
<i>Hong Kong</i>								
Shanghai Xiao Nan Guo	112,517	19.5	110,528	17.3	134,071	15.8	61,608	15.2
Total revenue of restaurant operations	<u>577,946</u>	<u>100.0</u>	<u>637,396</u>	<u>100.0</u>	<u>845,893</u>	<u>100.0</u>	<u>406,017</u>	<u>100.0</u>

- (1) Our Shanghai Xiao Nan Guo restaurants in eastern China include restaurants located in Shanghai, Suzhou, Nanjing and Ningbo.
- (2) Our Shanghai Xiao Nan Guo restaurants in northern China include restaurants located in Beijing, Dalian and Tianjin.

The following table sets forth our gross profit by brands and regions for the periods indicated.

	For the year ended December 31						For the five months ended May 31,	
	2008		2009		2010		2011	
	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%
<i>China</i>								
Shanghai Xiao Nan Guo								
Eastern China ⁽¹⁾	235,779	64.4	272,021	64.9	369,564	65.9	167,990	62.3
Northern China ⁽²⁾	42,175	11.5	60,143	14.3	81,574	14.6	42,192	15.7
Subtotal	277,954	75.9	332,164	79.2	451,138	80.5	210,182	78.0
Maison De L'Hui	—	—	—	—	6,920	1.2	11,987	4.5
<i>Hong Kong</i>								
Shanghai Xiao Nan Guo	88,010	24.1	87,035	20.8	102,806	18.3	47,129	17.5
Total gross profit of restaurant operations	<u>365,964</u>	<u>100.0</u>	<u>419,199</u>	<u>100.0</u>	<u>560,864</u>	<u>100.0</u>	<u>269,298</u>	<u>100.0</u>

- (1) Our Shanghai Xiao Nan Guo restaurants in eastern China include restaurants located in Shanghai, Suzhou, Nanjing and Ningbo.
- (2) Our Shanghai Xiao Nan Guo restaurants in northern China include restaurants located in Beijing, Dalian and Tianjin.

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NET CURRENT ASSETS/(LIABILITIES) AND WORKING CAPITAL

We recorded net current assets of RMB21.4 million and RMB35.6 million, and net current liabilities of RMB163.5 million and RMB218.7 million as of December 31, 2008, 2009 and 2010 and May 31, 2011, respectively. We recorded net current liabilities as of May 31, 2011, primarily reflecting the increased expenditures incurred in relation to our accelerated pace of expansion in 2011. We opened 7, 6 and 11 restaurants in each of the three years ended December 31, 2010, respectively. We currently expect to open 22 new restaurants in 2011, including 15 restaurants already opened by the Latest Practicable Date. We recorded net current liabilities as of December 31, 2010, primarily reflecting (i) a declaration of RMB160.3 million in dividends by various subsidiaries of our Group in 2010, and (ii) an increase in net cash used in investing activities from RMB58.9 million in 2009 to RMB120.3 million in 2010, which in turn was primarily due to our expanded scale of new restaurant development in 2010 compared with 2009. We had net current liabilities of RMB204.6 million as of July 31, 2011, based on our unaudited management accounts prepared under IFRS. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — We had net current liabilities and significant net cash outflows for investing activities during the Track Record Period”.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus with the following sources of funding:

- cash inflows generated from our operating activities;
- proceeds from bank loans, including short-term and long-term bank loans;
- the cash and cash equivalents available, which were RMB50.4 million as of July 31, 2011; and
- proceeds to be received by our Group from the Global Offering.

Based on the above, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this prospectus.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK\$1.93 per Share (being the mid-point of the indicative range of the Offer Price of HK\$1.65 to HK\$2.20 per Share), we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be approximately HK\$581 million.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 57.3% of the net proceeds, or HK\$333 million, to open new restaurants including 5 restaurants in the fourth quarter of 2011, 26 and 33 new restaurants in 2012 and 2013, respectively, by increasing our penetration of existing markets in our restaurant network in eastern, northern and southern regions of Greater China, and pushing out into new regional economic centers near the existing markets;

SUMMARY

- approximately 37.5% of the net proceeds, or HK\$218 million, to repay the bank loans we received under Standard Chartered Onshore Facilities and Standard Chartered Offshore Facility, respectively; for the principal amounts and applicable interest rates of the Standard Chartered Onshore Facilities and Standard Chartered Offshore Facility, please see the section headed “Financial Information — Indebtedness — Bank Borrowings”; and
- approximately 5.2% of the net proceeds, or HK\$30 million, to (i) update our information technology systems to achieve higher operating efficiency, (ii) establish new central kitchens and central warehouses in northern and southern China to support our expansion of restaurant network, (iii) establish regional centers in Greater China to foster flexibility and responsiveness to unique characteristics of different regional markets, and (iv) launch promotional campaigns to increase brand awareness among our target customers.

Except (i) the HK\$218 million allocated for the repayment of the bank loans we received from the two affiliates of Standard Chartered, and (ii) the HK\$30 million allocated to develop our corporate infrastructure and launch promotional campaigns, the above allocation of the proceeds, i.e. the proceeds allocated to open new restaurants, will be adjusted accordingly in the event that the Offer Price is fixed below or above the mid-point of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to open new restaurants. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK\$674 million (assuming an Offer Price of HK\$1.93 per Share, the mid-point of our indicative Offer Price range).

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

The Directors believe that, on the basis and assumptions set out in the Profit Forecast in Appendix III to this prospectus and in the absence of unforeseen circumstances, our forecast consolidated profit attributable to owners of our Company for the year ending December 31, 2011 is unlikely to be less than RMB113.8 million. The profit forecast has been prepared by the Directors based on (i) the audited consolidated results of the Group for the five months ended May 31, 2011, (ii) the unaudited consolidated results of the Group for the month ended June 30, 2011 and (iii) our forecast of the consolidated results of the Group for the remaining six months ending December 31, 2011.

There can be no assurance that such estimates will ultimately be realized, or if not realized, that the failure to realize such results will not have a material and adverse impact on our financial condition or results of operations.

DIVIDEND POLICY

We declared dividends of RMB5.5 million, RMB38.0 million, RMB160.3 million and nil for the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively; we paid or settled dividends payable (including withholding tax) of RMB5.5 million, RMB36.9 million, RMB22.5 million and RMB7.2 million for the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively. As of May 31, 2011, our outstanding dividends payable was

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RMB196.8 million. We expect to fully settle all outstanding dividends payable by our Group before September 25, 2011, by (i) settling against the amounts due from Ms. Wang or companies owned by Ms. Wang, which totaled RMB137.4 million as of May 31, 2011, and (ii) paying the remaining amount (including withholding tax) with cash generated from our operating activities.

Our Board may declare dividends, if any, after taking into account our results of operations, cash flows and financial condition, operating and capital requirements and other factors as our Board may deem relevant at such time. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

We do not expect to declare any dividend in respect of the year ending December 31, 2011. Our Directors currently intend to declare a dividend of no more than 25% of our annual net profit after tax attributable to owners of our Company in respect of the year ending December 31, 2012. However, such intention does not amount to any guarantee, representation or indication that the Company must or will declare and pay dividends in such manner or at all. See “Risk Factors — Risks Relating to Our Industry and Business — Our historical dividend may not be indicative of our future dividends, and our ability to pay dividends and dispose of assets may be limited by contractual restrictions under our credit facilities”.

OFFER STATISTICS

All statistics in this table are based on the assumptions that (i) the Over-allotment Option is not exercised, and (ii) no options are granted under the Pre-IPO Share Option Schemes or the Share Option Scheme.

	<u>Based on an Offer Price of HK\$1.65 per Share</u>	<u>Based on an Offer Price of HK\$2.20 per Share</u>
Market capitalization ⁽¹⁾	HK\$2,203 million	HK\$2,937 million
Prospective price/earnings multiple on a pro forma basis ⁽²⁾	15.9 times	21.2 times
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽³⁾	HK\$0.50	HK\$0.64

(1) The calculation of market capitalization is based on 1,335,000,000 Shares expected to be in issue following the Global Offering but takes no account of the Over-allotment Option or the options which may be granted under the Pre-IPO Share Option Schemes or the Share Option Scheme.

(2) The calculation of the prospective price/earnings multiple on a pro forma basis is based on the pro forma forecast earnings per Share and the respective Offer Prices of HK\$1.65 per Share and HK\$2.20 per Share.

(3) The unaudited pro forma adjusted net tangible asset value per Share is arrived at after the adjustments referred to in the section entitled “Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets” and on the basis of 1,335,000,000 Shares in issue and the respective Offer Prices of HK\$1.65 per Share and HK\$2.20 per Share.

SUMMARY

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set forth in the section headed “Risk Factors” section and are summarized below.

Risks Relating to Our Industry and Business

- Any significant liability claims or complaints from our customers or adverse publicity involving our products or services could adversely affect our business and operations
- We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks
- Our operations are susceptible to increases in our purchase costs of food ingredients, which could adversely affect our margins and results of operations
- Labor shortages or increases in labor costs could slow our growth, harm our business and reduce our profitability
- Our restaurants are subject to risks in relation to occupancy costs, renewal of existing leases and long-term non-terminable leases
- We had net current liabilities and significant net cash outflows from investing activities during the Track Record Period
- Because we generate a majority of our revenues from the Shanghai Municipality, we are susceptible to trends and developments in these areas
- Our financial results depend on the success of our existing and new restaurants
- Our future growth depends on our ability to open and profitably operate new restaurants
- Opening new restaurants in existing markets may negatively affect sales at our existing restaurants
- If we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected
- Our expansion into new markets presents increased risks
- The impact of new restaurant openings could result in fluctuations in our financial performance
- If we are unable to manage our growth effectively, we may not be able to capitalize on new business opportunities and our business and financial results may be materially and adversely affected
- We face certain risks relating to a number of employee recruiting and retention initiatives recently implemented
- Sites of our existing restaurants may become unattractive, and our new restaurants may not be able to obtain quality sites for commercially reasonable prices, if at all

SUMMARY

- Our Maison De L’Hui restaurants have a relatively short history of operation, and may expose us to uncertain conditions and risks in the high-end, business-oriented fine dining segment
- Our non-PRC operations subject us to additional risks and costs and may cause our profitability to decline
- Our business may be materially and adversely affected by the recent earthquake and resulting disasters in Japan
- Our business depends significantly on the market recognition of our brands, and any damage to our brands could materially and adversely impact our business and results of operations
- Our right to use the “Xiao Nan Guo (小南國)” and “Maison De L’Hui (慧公館)” related trademarks is licensed from Ms. Wang; accordingly, if a third party successfully challenges Ms. Wang’s ownership of, or our right to use, the relevant trademarks or if we are unable to stop unauthorized use of such marks, our business, financial condition and results of operations may be materially and adversely affected
- We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business
- Events that disrupt our operations, such as fires, floods, earthquakes or other natural or man-made disasters, may materially and adversely affect our business operations
- If our suppliers do not deliver food and other supplies in a timely fashion, we may experience short-term supply shortages and increased food costs
- Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations
- Intense competition in the restaurant industry could prevent us from increasing or sustaining our revenue and profitability
- Our results of operations may fluctuate significantly due to seasonality and other factors
- Our business is affected by changes in consumer preference or discretionary spending
- Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability
- We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business and results of operations
- Certain defects caused by non-registration of our lease agreements related to certain properties occupied by us in the PRC may materially and adversely affect our ability to use such properties
- Defects in title ownership certificates for certain of our leased properties may adversely affect our ability to use such property and may affect our business and results of operations

SUMMARY

- Certain of our leased properties in the PRC are encumbered and used as restaurants in breach of the applicable zoning permits
- Our success depends on our key personnel and our business may be harmed if we lose their services or they could not successfully manage our growing operations
- We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties
- Our historical dividend may not be indicative of our future dividends, and our ability to pay dividends and dispose of assets may be limited by contractual restrictions under our credit facilities
- The interests of our Controlling Shareholders, including Ms. Wang, may conflict with the interests of our other shareholders, and our Controlling Shareholders may take actions, and exercise influence that favor their interests over the interests of us or our public Shareholders
- Our insurance policies may not provide adequate coverage for all claims associated with our business operations
- Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business
- We have previous incidences of non-compliance with the Companies Ordinance

Risks Relating to China

- Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could materially and adversely affect our business and results of operations
- Uncertainties with respect to the PRC legal system could materially and adversely affect us
- You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the prospectus
- Governmental control of currency conversion may affect the value of your investment
- PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect us
- All participants under the Pre-IPO Share Option Schemes and Share Option Scheme who are PRC citizens may be required to register with SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt additional share option plans for our Directors, employees and other parties under PRC law after Listing
- Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment

SUMMARY

- PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business
- We rely on dividends and other distributions paid by our wholly-owned operating subsidiaries in China to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to borrow money or pay dividends to holders of our Shares
- The dividends we receive from our Chinese subsidiaries and our global income may be subject to Chinese tax under the New EIT Law, which would have a material adverse effect on our results of operations; our non-PRC Shareholders will be subject to a Chinese withholding tax upon the dividends payable by us and gains on the sale of Shares, if we are classified as a Chinese “resident enterprise”

Risks Relating to the Global Offering

- There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained
- The trading prices of our Shares may be volatile, which could result in substantial losses to you
- Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins
- The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price
- Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution
- The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus.

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), individually or collectively, as the context may require
“Articles of Association” or “Articles”	our articles of association, as adopted on February 2, 2010, and as amended from time to time, a summary of which is contained in Appendix V to this prospectus
“associate”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Beijing Shining”	Beijing Shining Cuisine Investment Management Co., Ltd. (北京尚心尚食投資管理有限公司), a company incorporated in the PRC on October 22, 2009 as an investment company and is a fellow subsidiary of Sunshine Property under the common control of Shining Capital Holdings L.P. in the PRC
“Board of Directors” or “Board”	our board of Directors
“Brilliant South”	Brilliant South Limited (佳南有限公司), a company incorporated in the BVI on November 8, 2010 and wholly-owned by Ms. Wu Wen, one of our executive Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issuance of Shares to be made upon the capitalization of the share premium account of the Company as referred to in “Appendix VI — Statutory and General Information — Further Information about our Company — Written Resolutions of the Shareholders of Our Company Passed on August 30, 2011”
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

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“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“China Wealth”	China Wealth Enterprises Ltd., an exempted company incorporated in the BVI on May 28, 2008 and a connected person upon completion of the Pre-listing Reorganization with its shareholding structure before and after the Pre-listing Reorganization set out under the section headed “History and Development — Pre-listing Reorganization”
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, or “our Company”	Xiao Nan Guo Restaurants Holdings Limited (小南國餐飲控股有限公司), previously known as Xiao Nan Guo (Cayman) Holdings Ltd., an exempted company incorporated under the laws of the Cayman Islands on February 2, 2010 with limited liability
“Company Law” or “PRC Company Law”	Company Law of the People’s Republic of China (中華人民共和國公司法), as amended at the Eighteenth Session of the Standing Committee of the Tenth NPC on October 27, 2005, effective from January 1, 2006 (2005 Amendment), and as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

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“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, being Ms. Wang, the Trustee, Value Boost, Expert City, Fast Glow, Full Health and Well Reach, and each a “Controlling Shareholder”. See the section headed “Relationship with Controlling Shareholders”
“Core Strength”	Core Strength Limited, a company incorporated in the BVI on February 2, 2010 and wholly-owned by Ms. Wang, one of our executive Directors
“CSI Capital, L.P.”	an exempted limited partnership registered under the laws of Cayman Islands on March 31, 2009 and a private equity fund focusing on private equity investments in China with limited partners mainly comprising of institutional investors
“Director(s)”	the director(s) of the Company or any one of them
“Elite Land”	Elite Land Development Limited, a company incorporated in the BVI on April 28, 1999 and owned as to 50% by Mr. Cheung Yik Man, an Independent Third Party and 50% by Ms. Wang Zhongying, an Independent Third Party
“Euromonitor Report”	a commissioned report prepared by Euromonitor International, a global research organization, for the purpose of preparing this prospectus
“Ever Project”	Ever Project Investments Limited (恒業投資有限公司), a company incorporated in the BVI on November 26, 2010 and wholly-owned by Ms. Wang Huili, one of our non-executive Directors
“Excluded Businesses”	other than our Group, businesses which Ms. Wang has control of or interests in, details of which are set out in the section headed “Relationship with Controlling Shareholders — Excluded Businesses of Ms. Wang”
“Expert City”	Expert City International Limited (巧城國際有限公司), a company incorporated in the BVI on November 26, 2010, which is legally owned by Ms. Wang and beneficially owned by Ever Project
“Fast Glow”	Fast Glow Limited (迅暉有限公司), a company incorporated in the BVI on October 18, 2010, which is legally owned by Ms. Wang and beneficially owned by Victor Merit

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“Full Health”	Full Health Limited (康富有限公司), a company incorporated in the BVI on October 15, 2010, which is legally owned by Ms. Wang and beneficially owned by Wealth Boom
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Greater China”	China, including Hong Kong, Macau and Taiwan
“GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” or “us”	the Company and its subsidiaries or, where the context so requires, with respect to the period before which the Company became the holding company of its current subsidiaries, the Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Hang Lik”	Hang Lik International Development Ltd. (恆力國際發展有限公司), a company incorporated in Hong Kong on November 12, 2003 and wholly-owned by Ms. Wang’s daughter
“HIBOR”	Hong Kong Interbank Offer Rate
“HK\$” or “Hong Kong dollars”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer Shares”	the 33,500,000 new Shares initially being offered by the Company for subscription at the Offer Price under the Hong Kong Public Offering (subject to adjustment as described in “Structure and Conditions of the Global Offering”)

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“Hong Kong Public Offering”	the offer by the Company of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong as described in “Structure and Conditions of the Global Offering” at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering named in “Underwriting — Hong Kong Underwriters” of this prospectus
“Hong Kong Underwriting Agreement”	the conditional Hong Kong underwriting agreement dated September 14, 2011 relating to the Hong Kong Public Offering entered into by, among others, the Company, the Joint Bookrunners and the Hong Kong Underwriters
“Independent Third Party”	a party which is not connected (as defined in the Listing Rules) to our Company or our connected persons
“International Offer Shares”	the 301,500,000 new Shares initially being offered by the Company for subscription at the Offer Price under the International Offering (subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering”) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
“International Offering”	the conditional placing by the International Purchasers of the International Offer Shares outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S and to QIBs in the United States in reliance on Rule 144A or another available exemption from registration under the U.S. Securities Act for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in the section headed “Structure and Conditions of the Global Offering” on and subject to the terms and conditions stated herein and in the International Purchase Agreement

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“International Purchase Agreement”	the conditional placing and purchase agreement relating to the International Offering and expected to be entered into by, among others, the Company and the Joint Bookrunners on behalf of the International Purchasers on or about the Price Determination Date
“International Purchasers”	the group of underwriters led by the Joint Bookrunners, who are expected to enter into the International Purchase Agreement
“Joint Bookrunners”	Merrill Lynch International and Standard Chartered
“Joint Lead Managers”	Merrill Lynch Far East and Standard Chartered for the Hong Kong Public Offering, Merrill Lynch International and Standard Chartered for the International Offering
“Joint Sponsors”	Merrill Lynch Far East and Standard Chartered
“Latest Practicable Date”	September 7, 2011, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or about September 28, 2011 on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company (as amended from time to time), a summary of which is set out in “Appendix V — Summary of the Constitution of the Company and Cayman Islands Company Law” to this prospectus
“Merrill Lynch Far East”	Merrill Lynch Far East Limited, a Joint Sponsor and Joint Lead Manager of the Hong Kong Public Offering
“Merrill Lynch International”	Merrill Lynch International, the Sole Global Coordinator and a Joint Bookrunner of the Global Offering, and a Joint Lead Manager of the International Offering

DEFINITIONS

“Ministry of Commerce” or “MOC”	the Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“Moon Glory”	Moon Glory Enterprises Limited, a company incorporated in the BVI on March 31, 2010 and wholly-owned by CSI Capital, L.P.
“Ms. Wang”	Ms. Wang Huimin, our founder, chairlady, a Controlling Shareholder and an executive Director
“Nan Feng”	Nan Feng International Holdings Limited, a company incorporated in the BVI on July 2, 2003 and wholly-owned by Ms. Wang
“New EIT Law”	the Enterprise Income Tax Law promulgated by the National People’s Congress on March 16, 2007 and became effective on January 1, 2008
“Offer Price”	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK\$2.20 and is expected to be not less than HK\$1.65, to be determined as described in the section headed “Structure and Conditions of the Global Offering — Determination of the Offer Price”
“Offer Shares”	the Hong Kong Public Offer Shares and the International Offer Shares
“Over-allotment Option”	the option to be granted by the Company to the International Purchasers under the International Purchase Agreement pursuant to which the Company may be required by the Sole Global Coordinator (on behalf of the International Purchasers) after consultation with Standard Chartered, to allot and issue up to 50,250,000 additional new Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any
“Over-allotment Shares”	up to 50,250,000 Shares which the Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“Preferred Shares”	Series A Preferred Shares and Series B Preferred Shares

DEFINITIONS

“Pre-IPO Investors”	Moon Glory and Sunshine Property under Series B Investment, and each a “Pre-IPO Investor”
“Pre-IPO Investors’ Lock-up Agreement”	an agreement dated September 9, 2011 entered into among the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Sponsors, the Underwriters and the Pre-IPO Investors relating to the lock-up undertaking provided by the Pre-IPO Investors, details of which are described in the section headed “Underwriting — Lock-Up Undertakings by the Pre-IPO Investors”
“Pre-IPO Share Option Schemes” and each a “Pre-IPO Share Option Scheme”	the pre-listing share option schemes adopted by the Company on February 10, 2010 and March 15, 2011 (amended on August 10, 2011), respectively, the principal terms of which are summarized in the section headed “Share Option Schemes — Summary of Terms of the Pre-IPO Share Option Schemes” in Appendix VI to this prospectus
“Pre-listing Reorganization”	the reorganization arrangements undertaken by our Group in preparation for the Listing, which are described in more detail in the sections headed “History and Development” and “Appendix VI — Statutory and General Information — Further Information about Our Company — Reorganization”
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Bookrunners on behalf of the Hong Kong Underwriters on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about September 21, 2011 (Hong Kong time), when the Offer Price is determined and, in any event, no later than September 26, 2011
“Province” or “province”	each being a province or, where the context requires, a provincial level autonomous region or a provincial-level city under the direct supervision of the central government of the PRC
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

DEFINITIONS

“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商管理總局)
“Series A Offshore Investment”	the investment in the Group made by Sunshine Property under a series of agreements in 2008 and 2009, details of which are set out under the section headed “History and Development — Pre-IPO Investments — Series A Offshore Investment and Series A Onshore Investment”
“Series A Onshore Investment”	the investment in the Group made by Lao Niu Development Investment Co., Ltd. (老牛創業投資發展有限公司) and Beijing Shining under a series of agreements in 2008 and 2009, details of which are set out under the section headed “History and Development — Pre-IPO Investments — Series A Offshore Investment and Series A Onshore Investment”
“Series A Preferred Shares”	series A redeemable convertible preferred shares, with a par value of US\$0.01 per share, of China Wealth, with the terms set forth in the Series B Investment Agreement and the amended and restated memorandum and articles of association of China Wealth
“Series B Investment”	the investment in the Group made by the Pre-IPO Investors under a series of investment agreements in 2010, details of which are set out under the section headed “History and Development — Pre-IPO Investments — Series B Investment by the Pre-IPO Investors”
“Series B Investment Agreement”	the investment agreement dated June 29, 2010, entered into among Ms. Wang, Core Strength, China Wealth and the Pre-IPO Investors, details of which are set out under the section headed “History and Development — Pre-IPO Investments — Series B Investment by the Pre-IPO Investors”
“Series B Preferred Shares”	Series B redeemable convertible preferred shares, par value US\$0.01 per share, of China Wealth, with the terms set forth in the Series B Investment Agreement and the amended and restated memorandum and articles of association of China Wealth
“Series B Shareholders’ Agreement”	an agreement dated September 3, 2010, entered into among the parties to the Series B Investment Agreement relating to the rights and obligations, details of which are set out under the section headed “History and Development — Pre-IPO Investments — Series B Investment by the Pre-IPO Investors”

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Hongqiao”	Shanghai Hongqiao Xiao Nan Guo Restaurants Management Co., Ltd. (上海虹橋小南國餐飲管理有限公司), a company incorporated in the PRC on January 7, 1999 and ultimately wholly-owned by Ms. Wang
“Shanghai Rongyi”	Shanghai Rongyi Commercial Development Ltd. (上海融怡商貿發展有限公司), a company incorporated in the PRC November 17, 2003 and wholly-owned by Ms. Wang
“Shanghai Xiao Nan Guo Group”	Xiao Nan Guo (Group) Company Ltd. (小南國(集團)有限公司), previously known as Shanghai Xiao Nan Guo Hotel Management Co., Ltd. (上海小南國酒店管理有限公司), a limited liability company incorporated in the PRC on December 2, 2003 and indirectly wholly-owned by Ms. Wang
“Shanghai Xiao Nan Guo Restaurant”	Shanghai Xiao Nan Guo Restaurant Co., Ltd., (上海小南國餐飲有限公司), a company incorporated in the PRC on April 5, 2002 and wholly-owned by Xiao Nan Guo WFOE
“Shanghai Xin Di”	Shanghai Xin Di Restaurant Co., Ltd. (上海鑫迪餐飲有限公司), a limited liability company incorporated in the PRC on August 27, 2009 and indirectly wholly-owned by Ms. Wang for operating a Chinese food take-away and delivery business, Xiao Nan Guo Da Wei Lai
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Adjustment Agreement”	the agreement dated May 11, 2011 entered into among the parties to the Series B Investment Agreement relating to the share adjustment right disclosed in the section headed “History and Development — Pre-IPO Investments — Principal Terms of the Series B Pre-IPO Investment — Share Adjustment Right” in this prospectus
“Shareholder(s)”	holder(s) of Shares

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by the Company on August 30, 2011, the principal terms of which are summarized in the section headed “Share Option Schemes” in Appendix VI to this prospectus
“Shining Capital Holdings L.P.”	Shining Capital Holdings L.P., an exempted limited partnership registered under the laws of Cayman Islands on December 28, 2007, and a private equity fund focusing on private equity investments with limited partners mainly comprising of international institutional investors
“Sole Global Coordinator”	Merrill Lynch International
“Spa Business”	the businesses of spa services operated by (i) Shanghai Xiao Nan Guo Tang He Yuan SPAs Management Co., Ltd. (上海小南國湯河源沐浴管理有限公司), a limited liability company incorporated in the PRC, 55% of its equity interest being held by Ms. Wang and the remaining equity interest being held by Independent Third Parties (“Tang He Yuan Spa”), (ii) Shanghai Pudong Xiao Nan Guo Casual Dining Management Co., Ltd. (上海浦東小南國休閒美食管理有限公司), a limited liability company incorporated in the PRC, 55% of its equity interest being held by Ms. Wang and the remaining equity interest being held by Independent Third Parties (“Pudong Spa”), and (iii) Shanghai Jing’an Hai Zhi Yuan Casual Dining Management Co., Ltd. (上海靜安海之源休閒美食管理有限公司), a limited liability company incorporated in the PRC, 100% of its equity interest being indirectly held by Ms. Wang (“Jing’an Spa”), respectively
“sq.m.”	square meter
“Stabilizing Manager”	Merrill Lynch Far East or any of its affiliates or any person acting for it
“Standard Chartered”	Standard Chartered Securities (Hong Kong) Limited, a Joint Bookrunner, Joint Sponsor and Joint Lead Manager of the Global Offering
“Standard Chartered Offshore Facility”	a term loan facility entered into between our Company and Standard Chartered Bank (Hong Kong) Limited, an affiliate of Standard Chartered, in May 2011. See “Financial Information — Indebtedness — Bank Borrowings”

DEFINITIONS

“Standard Chartered Onshore Facilities”	the senior credit facilities entered into between our Company and Standard Chartered Bank (China) Limited, an affiliate of Standard Chartered, in March 2011. See “Financial Information — Indebtedness — Bank Borrowings”
“State”, “state”, “PRC government” or “government”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Value Boost as the lender and the Stabilizing Manager as the borrower
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“Substantial Shareholder”	has the meaning ascribed to it in the Listing Rules
“Sunshine Property”	Sunshine Property I Limited, a company incorporated under the laws of the Cayman Islands on December 7, 2007 and wholly-owned by Shining Capital Holdings L.P.
“Supplemental Agreement”	the supplemental agreement dated August 26, 2011 entered into among the parties to the Series B Investment Agreement
“The Wang Trust”	a declaration of trust established by Ms. Wang on August 27, 2011, the current beneficiary of which is Ms. Wang and in the event of her decease, her personal representative(s)
“Track Record Period”	the period consisting of the three years ended December 31, 2010 and five months ended May 31, 2011
“Trustee”	Extensive Power Limited, a company incorporated in Hong Kong on November 8, 2010, and the current trustee of The Wang Trust, which is legally and beneficially wholly-owned by Ms. Wang, and of which Ms. Wang is the sole director
“Underwriters”	the Hong Kong Underwriters and the International Purchasers
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Purchase Agreement

DEFINITIONS

“United States” or “U.S.”	the United States, as defined in Regulation S
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“Value Boost”	Value Boost Limited, a company incorporated in the BVI on April 6, 2011 and wholly-owned by the Trustee
“Victor Merit”	Victor Merit Limited, a company incorporated in the BVI on November 8, 2010 and wholly-owned by Mr. Kang Jie, one of our executive Directors
“Wealth Boom”	Wealth Boom Enterprises Limited (富旺企業有限公司), a company incorporated in the BVI on September 16, 2010 and wholly-owned by Mr. Wang Hairong, the brother of Ms. Wang
“Well Reach”	Well Reach Limited (佳達有限公司), a company incorporated in the BVI on October 8, 2010, which is legally owned by Ms. Wang and beneficially owned by Brilliant South
“White Form eIPO”	applying for Hong Kong Public Offer Shares to be issued in your own name by submitting applications online through the designated website at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wisecorp”	Wisecorp Worldwide Development Limited (協和環球發展有限公司), a company incorporated in Hong Kong on November 24, 2004 and wholly-owned by Xiao Nan Guo HK R
“Xiao Nan Guo Da Wei Lai”	the Chinese food take-away and delivery business operated by Shanghai Xin Di. See “Relationship with Controlling Shareholders — Excluded Businesses of Ms. Wang”
“Xiao Nan Guo HK R”	Xiao Nan Guo (Hong Kong) Restaurant Group Limited (小南國(香港)餐飲集團有限公司), a company incorporated in the BVI on April 16, 2008 and currently wholly-owned by the Company
“Xiao Nan Guo Holdings BVI”	Xiao Nan Guo Holdings Limited, a company incorporated in the BVI on July 2, 2003 and currently wholly-owned by the Company

DEFINITIONS

“Xiao Nan Guo Holdings HK”	Xiao Nan Guo Holdings Limited (小南國控股有限公司), a company incorporated in Hong Kong on April 7, 2005 and currently wholly-owned by Xiao Nan Guo Holdings BVI
“Xiao Nan Guo Nutritional”	Shanghai Xiao Nan Guo Nutritional Food Co., Ltd. (上海小南國營養餐食品有限公司), a company formerly known as Shanghai Kangdian Nutritional Food Co., Ltd. (上海康點營養餐食品有限公司) and incorporated in the PRC on March 9, 2006, which was wholly acquired by us on February 29, 2008 from Independent Third Parties
“Xiao Nan Guo WFOE”	Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd. (上海小南國海之源餐飲管理有限公司), a company formerly known as Shanghai Xiao Nan Guo Hai Zhi Yuan Gym Co., Ltd. (上海小南國海之源健身有限公司), a wholly foreign-owned enterprise incorporated in Shanghai under the laws of the People’s Republic of China on September 15, 2004
“%”	per cent.

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-Allotment Option.

All times refer to Hong Kong time.

Unless otherwise specified, references to years in this prospectus are to calendar years.

If there is any inconsistency between the Chinese name of the PRC laws and regulations or PRC entities mentioned in this prospectus and their English translation, the Chinese version shall prevail.

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Unless otherwise specified, discussions on and disclosure of financial data under the consolidated statements of comprehensive income are in relation to continuing operations.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but not limited to, regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- success of our existing and new restaurants;
- our ability to effectively manage our planned expansion;
- our ability to stay abreast of market trends and maintain commercially reasonable relationships with our customers and suppliers;
- our ability to retain core team members and recruit qualified and experienced new team members;
- our ability to obtain adequate financing on terms acceptable to us;
- our ability to maintain an effective quality control system;
- our ability to maintain our current preferential tax treatment status under Chinese law;
- our levels of indebtedness and interest payment obligations;
- rules and regulations for the restaurant industry imposed by the PRC government;
- future developments, trends and conditions in China’s restaurant industry;
- our profit forecast and other prospective financial information; and
- the other factors that are described in the section headed “Risk Factors” in this prospectus.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. For more information concerning the PRC and certain related matters discussed below, see the section headed “Regulation” in this prospectus.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

Any significant liability claims or complaints from our customers or adverse publicity involving our products or services could adversely affect our business and operations.

We may become subject to complaints or claims from the guests in our restaurants as a result of consuming the food we serve in our restaurants or the branded products we sell.

Being in the food and beverage industry, we face an inherent risk of food contamination and liability claims. Our food quality depends in part on the quality of the food items provided by our suppliers and we may not be able to detect all defects in our supplies. Due to the scale of our operations, we also face the risk that certain of our employees may not adhere to our mandated procedures and requirements. Any failure to detect defective food supplies, poor hygiene or cleanliness standards in our operations, or other failure to observe our requirements or standards, whether or not due to our fault, could adversely affect the quality of the food served in one or more of our restaurants, which could lead to liability claims, complaints or related adverse publicity and could result in the imposition of penalties by relevant authorities or compensation awarded by courts against us. We maintain public liability insurance for all our restaurants in Hong Kong and all of our restaurants in the PRC. We would be required to pay compensation with our own funds if we are found to be liable for any liability claim with respect to our restaurants without public liability insurance coverage or outside the scope of coverage under our existing public liability insurance policies.

During the Track Record Period, we received an insignificant number of customer complaints with respect to our restaurants in China and few complaints with respect to our restaurants in Hong Kong, considering the size of our restaurant network and the guest traffic at our restaurants. Based on our internal written record, we recorded 30, 33, 21 and 11 customer suggestions or complaints with respect to our restaurant operations in the PRC and Hong Kong for the three years ended December 31, 2010 and five months ended May 31, 2011, respectively. The complaints were generally regarding availability of reservation, taste and style of a particular dish, and the service quality of restaurant staff. We also received or became aware of isolated complaints representing certain customers' view with respect to the validity of the guest check amounts. To reduce such customer complaints to the extent possible, we designate a selected group of trained employees at each restaurant to access and operate the point-of-sale system, provide continuous employee training about operating procedures and guidelines of our point-of-sale system, print on guest check more details of customers' orders (including adjustment to the amounts and prices of the dishes, if any) to facilitate review by restaurant staff and customers, and conduct internal review of selected transactions recorded in the point-of-sale system every week to identify irregularity or deviation from our standard operating procedures. Nevertheless, we can not assure you that we can successfully prevent all customer complaints of the similar nature.

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Any complaint or claim against us, even if meritless or unsuccessful, could force us to divert management and other resources from other business concerns, which may adversely affect our business and operations. Adverse publicity resulting from such allegations, even if meritless or unsuccessful, could harm our business. Customers may lose confidence in us and our brand, which may adversely affect not only the business of the relevant restaurants but also our other restaurants under the same or related brand. As a result, we may experience significant declines in our revenues or even losses which we may not be able to recover. We are not aware of any incidence of customer complaint, claiming material compensation that could have material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date.

A multi-location restaurant business such as ours can be adversely affected by negative publicity or news reports, whether or not accurate, regarding food quality issues, public health concerns, illness, safety, injury or government or industry findings concerning our restaurants, restaurants operated by other foodservice providers or others across the food industry supply chain. These types of negative publicity could materially harm our business and results of operations and result in damage to our brands.

We face risks related to instances of food-borne illnesses, health epidemics and other outbreaks.

Our business is susceptible to food-borne illnesses, health epidemics and other outbreaks. We cannot guarantee that our internal controls and training will be fully effective in preventing all food-borne illnesses. Furthermore, our reliance on third-party food suppliers increases the risk that food-borne illness incidents could be caused by third-party food suppliers outside of our control and the risk of multiple restaurants instead of a single restaurant being affected. New illnesses resistant to any precautions may develop in the future, or diseases with long incubation periods could arise, such as mad-cow disease, that could give rise to claims or allegations on a retroactive basis. Reports in the media of instances of food-borne illnesses could, if highly publicized, negatively affect our industry overall and us in particular, impacting our restaurant sales, forcing the closure of some of our restaurants and conceivably having significant impact on our results of operations. This risk exists even if it were later determined that the illness in fact were not caused by our restaurants. Furthermore, other illnesses, such as hand, foot and mouth disease or avian influenza, could adversely affect the supply of some of our food products and significantly increase our costs.

We also face risks related to health epidemics. Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in China and Hong Kong. An outbreak of any epidemics or pandemics in the areas where we have restaurants, may result in quarantines, temporary closures of our restaurants, travel restrictions or the sickness or death of key personnel and our guests. Any of the above may cause material disruptions to our operations, which in turn may materially and adversely affect our business and results of operations.

Our operations are susceptible to increases in our purchase costs of food ingredients, which could adversely affect our margins and results of operations.

Our profitability depends significantly on our ability to anticipate and react to changes in purchase costs of food ingredients. Food costs, as represented by our cost of inventories consumed, accounted for 37.7%, 35.5%, 34.1% and 33.8% of our revenues for each of the three years ended December 31, 2010 and five months ended May 31, 2011, respectively. We primarily rely on local, regional and national suppliers in PRC to supply fresh produce, aquatic food, including seafood and

RISK FACTORS

freshwater fish and shrimp, poultry and other ingredients. Increases in distribution costs or sale prices or failure to perform by our suppliers could cause our food costs to increase. We may be unwilling or unable to pass these cost increases onto our guests, and our operating margins may decrease as a result.

The type, variety, quality and price of food supplies are volatile and subject to factors beyond our control, including seasonal shifts, climate conditions, natural disasters, governmental regulations and availability, each of which may affect our food costs or cause a disruption in our supply. Our suppliers may also be affected by higher costs to produce and transport commodities used in our restaurants, rising labor costs and other expenses that they pass through to their customers, which could result in higher costs for goods and services supplied to us. Although we are able to contract for some of the food ingredients used in our restaurants for periods of up to one year, the pricing and availability of some of the food ingredients used in our operations cannot be locked in for periods of longer than one month or at all. We currently do not enter into futures contracts or engage in other financial risk management strategies against potential price fluctuations in food costs. We may not be able to anticipate and react to changes in food costs through our purchasing practices and menu price adjustments in the future, and failure to do so could materially and adversely affect our business and results of operations.

Labor shortages or increases in labor costs could slow our growth, harm our business and reduce our profitability.

Restaurant operations are highly service-oriented and therefore, our success depends in part upon our ability to attract, retain and motivate a sufficient number of qualified employees, including restaurant staff, cooks, and kitchen assistants. Qualified individuals are in short supply and competition for these employees is intense. Any future inability to recruit and retain qualified individuals may delay the planned openings of new restaurants and could adversely impact our existing restaurants. Any such delays, material increases in employee turnover rate in existing restaurants or widespread employee dissatisfaction could have a material adverse effect on our business and results of operations. In addition, competition for qualified employees could also require us to pay higher wages, which could result in higher labor costs.

Moreover, minimum wage requirements in the PRC, Hong Kong and other markets where we may operate in future have increased or could continue to increase our labor costs in the future. The salary level of employees in the restaurant industry in the PRC has been increasing in the past several years. We may not be able to increase our prices enough to pass these increased labor costs on to our guests, in which case our business and results of operations would be materially and negatively affected.

Our restaurants are subject to risks in relation to occupancy costs, renewal of existing leases and long-term non-terminable leases.

As we lease the property for all of our restaurants under operating leases, occupancy costs account for a significant portion of our operating expenses. For the three years ended December 31, 2010 and five months ended May 31, 2011, our occupancy costs related to our restaurants, central kitchens and central warehouses amounted to RMB66.8 million, RMB93.7 million, RMB120.2 million and RMB64.9 million, respectively, representing 11.6%, 14.7%, 14.2% and 16.0% of our revenue of restaurant operation during the respective periods. Our substantial operating lease obligations could have significant negative consequences, including increasing our vulnerability to adverse economic conditions, limiting our ability to obtain additional financing and reducing our cash available for other purposes.

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Our lease agreements for our restaurant sites typically have an initial term ranging from five to ten years and may contain a renewal option if we could agree to the renewal terms and conditions with the lessor. A large number of lease agreements provide that the rent will increase at a fixed rate or by a fixed amount every three years and certain leases require contingent rent, determined as a percentage of sales, as defined by the terms of the applicable lease agreement. When a lease agreement expires, the lessor has the right to review and modify the terms and conditions of the lease agreement, including the amount of rent payable by us, and we have to negotiate the terms of renewal with that lessor. There is no assurance that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the occupancy cost payable by us, if at all. If a rent agreement is renewed at an occupancy cost substantially higher than the current rate or currently existing favorable terms granted by the lessor (if any) are not extended, our business and results of operations may be materially and adversely affected. If we are unable to renew the leases for our restaurant sites, we will have to close or relocate the relevant restaurant, which could subject us to construction and other costs and risks, and could have a material adverse effect on our business and results of operations. For example, closing a restaurant will reduce the sales that the restaurant would have contributed to our revenues. In addition, the revenue and profit, if any, generated at a relocated restaurant may be less than the revenue and profit generated at the existing restaurant.

Because our lease agreements are non-terminable, these lease agreements expose us to the risk of having to make rental payments for fixed periods of time in spite of failure of the relevant restaurants or other unforeseen events that may occur before each lease expires. In the event that we need to close down a restaurant before the end of a lease, we may be obligated to continue paying rent for the remaining term of the lease and our business and results of operations may be materially and adversely affected.

We had net current liabilities and significant net cash outflows from investing activities during the Track Record Period.

We recorded net current liabilities of RMB163.5 million and RMB218.7 million as of December 31, 2010 and May 31, 2011, respectively. We recorded net current liabilities as of May 31, 2011, primarily reflecting the increased expenditures incurred in relation to our accelerated pace of expansion in 2011. We recorded net current liabilities as of December 31, 2010, primarily reflecting (i) a declaration of RMB160.3 million in dividends by various subsidiaries of our Group in 2010, and (ii) an increase in net cash used in investing activities from RMB58.9 million in 2009 to RMB120.3 million in 2010, which in turn was primarily due to our expanded scale of new restaurant development in 2010 compared with 2009. We had net current liabilities of RMB204.6 million as of July 31, 2011, based on our unaudited management accounts prepared under IFRS.

We also experienced significant cash outflows for investing activities during the Track Record Period, as our restaurant network consistently expanded to increase penetration of existing markets and entering into new markets. For each of the three years ended December 31, 2010 and the five months ended May 31, 2011, we recorded net cash outflows for investing activities of RMB71.8 million, RMB58.9 million, RMB120.3 million and RMB81.4 million, respectively.

Considering our cash inflows from operating activities, proceeds from various bank loans, cash and cash equivalent available, and proceeds to be received by our Group from the Global Offering, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this prospectus. However, we cannot assure you that our net current liability or significant cash outflow for investing activities will not impair our ability to make necessary capital expenditures or develop business opportunities. If we are unable to meet our

RISK FACTORS

debt and interest repayment obligations, our creditors could choose to demand immediate repayment, resulting in a complete loss of investment for our shareholders if we are not able to repay such obligations, which could in turn materially and adversely affect our business and results of operations.

Because we generate a majority of our revenues from the Shanghai Municipality, we are susceptible to trends and developments in these areas.

Our revenue generated from the restaurants in the Shanghai Municipality amounted to RMB386.8 million, RMB394.3 million, RMB539.4 million and RMB231.4 million for the three years ended December 31, 2010 and five months ended May 31, 2011, respectively, representing 65.2%, 59.8%, 61.8% and 56.0% of our total revenue, respectively. We expect the Shanghai market to continue to account for a substantial portion of our revenues in the near future. If the Shanghai Municipality experiences any adverse economic conditions, such as local economic downturn, natural disaster, contagious disease outbreak or terrorist attack, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

Our financial results depend on the success of our existing and new restaurants.

Our financial results depend on our ability to increase sales and efficiently manage costs in our existing and new restaurants. In particular, the success of our restaurants revolves principally around guest traffic and average check per guest. Significant factors that might adversely impact our guest traffic levels and average check per guest include, without limitation:

- declining economic conditions that may adversely affect consumer spending in the markets we serve;
- increased competition in the restaurant industry;
- changes in consumer preferences;
- guests' budgeting constraints and choosing not to order high margin items such as alcoholic and non-alcoholic beverages;
- our reputation and consumer perception of our offerings in terms of quality, price, value and service; and
- guest experiences from dining in our restaurants.

Our restaurants are also susceptible to cost increases that are either wholly or partially beyond our control, including, without limitation:

- food and other raw material costs;
- labor costs;
- occupancy costs under leases for our existing and new restaurants;
- design and decoration cost of our new restaurants;
- energy, water and other utility costs;
- insurance costs;

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- information technology and other logistical costs; and
- costs associated with material interruptions in our supply chain.

The failure of our existing or new restaurants to perform as expected could have a significant negative impact on our financial condition and results of operations.

Our future growth depends on our ability to open and profitably operate new restaurants.

Our future growth depends on our ability to open and profitably operate new restaurants. We opened 7, 6 and 11 new restaurants in the three years ended December 31, 2010, respectively, and plan to increase the number of our Shanghai Xiao Nan Guo and Maison De L'Hui restaurants up to 57 by the end of 2011. The number and timing of new restaurants actually opened during any given period, and their associated contribution to our growth, are subject to a number of risks and uncertainties, including but not limited to our ability to:

- find quality locations and secure leases on commercially reasonable terms;
- comply with applicable zoning, land use and environmental regulations;
- secure the required government permits and approvals;
- obtain adequate financing for development and opening costs;
- efficiently manage the time and cost involved in the design, construction and pre-opening processes for each new restaurant;
- accurately estimate expected consumer demand in new locations and markets;
- hire and retain skilled management and other employees on commercially reasonable terms; and
- successfully promote our new restaurant and compete in the markets where our new restaurants are located.

We may not be able to open our planned new restaurants on a timely basis, if at all, and if opened, these restaurants may not be operated profitably. We have experienced and may continue to experience delays in restaurant openings. Moreover, there has been typically a “ramp-up” period of six to nine months before a new Shanghai Xiao Nan Guo restaurant could achieve our target level of performance. This delay in achieving our target level of performance is due to higher operating costs caused by start-up and other temporary inefficiencies associated with opening new restaurants, such as shortage of experienced staff and lack of market awareness. We may not be able to attract enough guests to our new restaurants because potential guests may be unaware of or unfamiliar with the new restaurants or the menus of our new restaurants might not appeal to them. As a result, the operating results generated at the new restaurants may not be comparable to the operating results generated at any of our existing restaurants. The restaurants may even operate at a loss, which could have a significant adverse effect on our overall operating results.

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Opening new restaurants in existing markets may negatively affect sales at our existing restaurants.

The consumer target area of our restaurants varies by location, depending on a number of factors such as population density, local retail and business attractions, area demographics and geography. As a result, the opening of new restaurants in or near markets in which we already have existing restaurants could adversely impact the sales and guest traffic of other new or existing restaurants. Some of our customers may be diverted from our existing restaurants to our new restaurants, and vice versa.

We currently plan to open 22 new restaurants in 2011, including 14 Shanghai Xiao Nan Guo restaurants and 1 Maison De L'Hui restaurant already opened by the Latest Practicable Date. The majority of our planned Shanghai Xiao Nan Guo new restaurants is aimed at increasing our penetration of existing markets in eastern and northern China as well as Hong Kong. We carefully consider any likely impact on our existing restaurants when we evaluate each new restaurant site, and seek to balance any impact on our existing restaurants with the new restaurant's ability to attract more customers from competitors. We do not intend to open new restaurants that materially impact the sales or guest traffic of our existing restaurants. However, there can be no assurance that customer diversion among our existing and new restaurants will not occur or become more significant in the future as we continue to expand our operations.

If we fail to obtain sufficient funding for our expansion plans, our business and growth prospects may be adversely affected.

We believe that our current cash and cash equivalents, anticipated cash flow from operations, available credit facilities, and the proceeds from this Global Offering will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this prospectus. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our new restaurant openings, investments in new restaurants and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing by selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary PRC government approvals, investors' confidence in us, the performance of the restaurant industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and growth prospects may be adversely affected.

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Our expansion into new markets presents increased risks.

We plan to open new restaurants in markets where we have little or no operating experience. Those markets may have different competitive conditions, consumer preferences and discretionary spending patterns from our existing markets. As a result, any new restaurants we open in those markets may be less successful than restaurants in our existing markets. Consumers in the new markets may not be familiar with our brand and we may need to build brand awareness in the relevant markets through greater investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture. Restaurants opened in new markets may also have lower average sales or higher construction, occupancy or operating costs than restaurants in existing markets. In addition, we may have difficulty in finding reliable suppliers or distributors with adequate supplies of ingredients meeting our quality standards in the new markets. Sales at restaurants opened in new markets may take longer than expected to ramp up and reach, or may never reach, expected sales and profit levels, thereby affecting our overall profitability.

The impact of new restaurant openings could result in fluctuations in our financial performance.

Our operating results have been, and in the future may continue to be, significantly influenced by the timing of new restaurant openings (often affected by factors beyond our control), including initially lower sales and higher operating costs, as well as changes in our geographic distribution due to the opening of new restaurants. Our experience has been that labor and operating costs associated with a newly opened restaurant for the first several months of operation are materially greater than those subsequent to that period as a percentage of revenues. New restaurants also incur expenses before openings such as employee salaries. Our new Shanghai Xiao Nan Guo restaurants generally take six to nine months to reach planned operating levels due to inefficiencies typically associated with new restaurants. Accordingly, the number and timing of new restaurant openings has had, and may continue to have, a meaningful impact on our profitability. As a result, our results of operations may fluctuate significantly from period to period and comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

If we are unable to manage our growth effectively, we may not be able to capitalize on new business opportunities and our business and financial results may be materially and adversely affected.

Our expansion plan may place significant strain on our management and resources. We have increased the number of our restaurants from 21 as of December 31, 2008 to 36 as of December 31, 2010, and we plan to continue to expand our operations by entering into new markets and increasing penetration of existing markets. Our current expansion plans contemplate more rapid expansion than we have previously undergone. We also have limited experience in operating multiple restaurant formats concurrently. Our expansion may place substantial demands on our management and our operational, technological, financial and other resources. Our planned expansion will also place significant demands on us to maintain consistent food and service quality and preserve our corporate culture to ensure that our brand does not suffer as a result of any deterioration, whether actual or perceived, in the quality of our food or service.

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To manage and support our growth, we must improve our existing operational and administrative systems as well as our financial and management controls. Our continued success also depends on our ability to recruit, train and retain additional qualified management personnel as well as other administrative, sales and marketing personnel, particularly as we expand into new markets. To accommodate our growth, we need to continue managing our relationships with our suppliers and customers. All of these endeavors will require substantial management attention and efforts and require significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business and financial results.

We face certain risks relating to a number of employee recruiting and retention initiatives recently implemented.

We are developing and implementing a number of employee recruiting and retention initiatives in an effort to attract, retain and motivate a sufficient number of qualified employees for our business operation and planned expansion. See the section headed “Business — Employees — Recruiting” and “Business — Employees — Employee Retention”. If we can not successfully implement all or any of these initiatives or, if implemented, these initiatives do not achieve the intended benefits generally or within our desired time frame, we may not be able to successfully recruit and retain a sufficient number of employees with necessary qualifications at commercially reasonable costs, or at all, and our business and results of operations may be materially and adversely affected.

Sites of our existing restaurants may become unattractive, and our new restaurants may not be able to obtain quality sites for commercially reasonable prices, if at all.

We believe the success of a restaurant depends in substantial part on its location. We evaluate our restaurant sites based on factors such as demographic information, traffic patterns, proximity to shopping areas or office buildings, competition among restaurants in the area, accessibility and visibility. There can be no assurance that the sites of our existing restaurants will continue to be attractive as the neighborhood may deteriorate or otherwise change in the future, resulting in reduced sales at these sites. For example, construction or renovation works at the local areas or activities centers where our restaurants are located may adversely affect the accessibility of our relevant restaurant sites, which in turn may result in a decrease in the pedestrian or vehicle flow and ultimately the guest traffic at our relevant restaurants. We may also temporarily suspend the business operations at a restaurant if we need to renovate and refurbish the premises, which may materially and adversely affect our business and results of operations.

We compete with other retailers and restaurants for quality sites in the highly competitive market for retail premises. If we cannot obtain desirable restaurant locations at commercially reasonable prices, our ability to implement our growth strategy will be adversely affected.

Our Maison De L’Hui restaurants have a relatively short history of operation, and may expose us to uncertain conditions and risks in the high-end, business-oriented fine dining segment.

As of Latest Practicable Date, we owned and operated four Maison De L’Hui restaurants in Shanghai, all of which have a relatively short history of operation. We intend to gradually expand our network of Maison De L’Hui restaurants by opening one restaurant in 2012 and two restaurants in 2013. Maison De L’Hui is a high-end brand focused on a business clientele, which is different from Shanghai Xiao Nan Guo, a premier mid- to high-end brand. We have not previously had any experience

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operating restaurants in the high-end segment. For this new brand, we need to identify and respond to the different competitive conditions, consumer preferences and discretionary spending patterns in the high-end market segment. In addition, we may need to make significant investments to build brand awareness among the targeted business clientele. We may not be able to attract enough guests to our Maison De L'Hui restaurants because potential guests may be unfamiliar with the restaurants or the menus and dining environments might not appeal to the targeted clientele. Our Maison De L'Hui restaurants are still at the ramp-up stage. If they cannot achieve the expected level of performance in a timely manner, or at all, our business and results of operations may be adversely affected.

Our non-PRC operations subject us to additional risks and costs and may cause our profitability to decline.

As of the Latest Practicable Date, we owned and operated seven Shanghai Xiao Nan Guo restaurants outside of the PRC in Hong Kong. During the three years ended December 31, 2010 and five months ended May 31, 2011, revenues from our restaurants located outside the PRC contributed to 19.0%, 16.8%, 15.4% and 14.9% of our total revenue, respectively. Our non-PRC operations expose us to a number of risks, including:

- fluctuations in commodity prices, interest and foreign exchange rates and the effects of local governmental initiatives to manage local economic conditions;
- changing labor conditions and difficulties in staffing our international operations;
- changes in consumer preferences;
- legal and regulatory changes and the burdens and costs of our compliance with a variety of foreign laws; and
- increases in the taxes we are obligated to pay and other changes in applicable tax laws.

Our business may be materially and adversely affected by the recent earthquake and resulting disasters in Japan.

On March 11, 2011, a magnitude-9 earthquake—the biggest in Japan's recorded history—struck Japan and triggered a tsunami affecting vast areas in Japan. The tsunami waves damaged the Fukushima Dai-ichi nuclear power plant, approximately 240 kilometers north-east of Tokyo, causing the nuclear fuel stored at the plant to overheat and ultimately resulting in explosions, fires, and releases of radiation. The production and sale of Japanese foods, particularly Japanese seafood, in certain areas are reported to be materially and adversely impacted.

We began importing certain high end specialty seafood from Japan in 2010 through a company incorporated in Japan and wholly-owned by Ms. Wang. Our purchases of seafood from Japan amounted to RMB5.6 million in the year ended December 31, 2010. The recent disasters in Japan have resulted in disruptions to the supply of seafood from Japan to China, and we have ceased such import from Japan. We may consider purchasing similar food ingredients from other regions or countries as replacement. We cannot assure you that we could resume purchases of Japanese seafood, or find replacement supplies at commercially acceptable prices, of sufficient quantities and qualities, or at all, to replenish timely our existing inventory of high quality seafood, which could cause us to remove certain related dishes from our menu and adversely affect our business and results of operations. We currently intend to conduct an internal evaluation in November 2011 of the food safety with respect to feasibility and market perception of resuming purchase of seafood from Japan. Particularly, we

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intend to consider and evaluate, among others, (i) the existence and media coverage of radioactive contamination of seafood sourced from Japan, (ii) effectiveness of food safety inspection mechanisms adopted by the PRC and Japanese customs authorities, and (iii) market perception of safety of seafood purchased from Japan. The timing and amount, if any, of the actual purchase will be subject to the outcome of our evaluation of the relevant factors.

In addition, it has been reported that the radiation from the Fukushima Dai-ichi nuclear power plant has caused public concerns over the safety of consuming seafood generally. Many of our dishes contain seafood ingredients, and the public concern over safety issues related to seafood in general may negatively impact the sale of our seafood dishes. Although most of our seafood are harvested in countries and areas other than Japan, we cannot assure you that our customers will order seafood dishes as often as prior to the recent disasters in Japan, which could in turn materially and adversely affect our business and results of operations.

The recent disasters in Japan may also disrupt the market demand and supply for food commodities in general and result in wide fluctuation of market prices as restaurants and other businesses seek alternative food supplies, which could materially and adversely impact our food costs and operating margins.

Our business depends significantly on the market recognition of our brands, and any damage to our brands could materially and adversely impact our business and results of operations.

Our success depends substantially on the value of our brands and our reputation for offering a high quality, memorable experience to our guests. The Xiao Nan Guo brand has been designated as a Well-known Trademark by the SAIC and received other awards and recognitions. We commenced operations of three new restaurants under the Maison De L’Hui brand in 2010 as a high-end brand focused on our business clientele. We believe that we must protect and enhance the value of our brands to continue to be successful in the future. Any incident that erodes consumer trust in or affinity for our brands could significantly reduce their value. If consumers perceive or experience a reduction in food quality, service, ambiance or in any way believe we failed to deliver a consistently positive experience, our brand value could suffer and that could have an adverse effect on our business. As we continue to grow in size, expand our food offerings and services and extend our geographic reach, maintaining quality and consistency may be more difficult and we cannot assure you that customers’ confidence in our brands will not be diminished. In addition, our ability to successfully develop new restaurants in new markets may be adversely affected by a lack of awareness or acceptance of our brands in these new markets. To the extent that we are unable to foster name recognition and affinity for our brands in the new markets, our new restaurants may not perform as expected and our growth may be significantly delayed or impaired.

We license our rights to use the various “Xiao Nan Guo” and “Maison De L’Hui” related trademarks owned by Ms. Wang or companies controlled by Ms. Wang. However, the Excluded Businesses can continue using the relevant trademarks. If there is any improper use of the trademarks by the Excluded Businesses resulting in negative publicity or customer confusion, our image and reputation may be adversely affected and we may lose our existing and prospective customers and suffer from loss of business or potential business opportunities.

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Our right to use the “Xiao Nan Guo (小南國)” and “Maison De L’Hui (慧公館)” related trademarks is licensed from Ms. Wang; accordingly, if a third party successfully challenges Ms. Wang’s ownership of, or our right to use, the relevant trademarks or if we are unable to stop unauthorized use of such marks, our business, financial condition and results of operations may be materially and adversely affected.

We entered into a Hong Kong trademark license agreement and a PRC trademark license agreement with Ms. Wang on August 18, 2011, under each of which Ms. Wang (for herself or on behalf of the companies controlled by her) has granted our Company an exclusive and non-transferable license, subject to certain terms and conditions, to use trademarks as set forth in the section headed “B. Further Information about the Business — 2. Our Intellectual Property Rights” in Appendix VI to this prospectus. The annual license fee is RMB1.00. The initial term of the license is ten years, and it will be renewed automatically for successive terms of ten years upon the expiry of each term. Ms. Wang has no right to terminate or revoke any of the trademark license agreements without our prior written consent. For further details about the term and termination events under the trademark license agreement, see the section headed “Connected Transactions — Continuing Connected Transactions — Exempted Continuing Connected Transactions”. We believe our intellectual property rights, including our right to use the logos for Shanghai Xiao Nan Guo restaurants and Maison De L’Hui restaurants, are vital to the success of our business operations.

If a third party successfully challenges Ms. Wang’s ownership of, or our right to use, the “Xiao Nan Guo (小南國)” or “Maison De L’Hui (慧公館)” related trademarks, our business, financial condition and results of operations may be materially and adversely affected. We are also exposed to the risk that third parties may use the “Xiao Nan Guo (小南國)” or “Maison De L’Hui (慧公館)” related trademarks without authorization.

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business.

We believe that the success of our business and our competitive position depend on our brands and the customer awareness of our brands. Our ability to implement our business plan successfully also depends in part on our ability to further build brand recognition using our licensed trademarks, proprietary know-how, recipes, trade secrets and other intellectual property, including our names and logos and the unique ambiance of our restaurants.

We use confidentiality and non-compete agreements with key management and operating personnel and other precautionary procedures to protect our proprietary know-how, recipes and trade secrets. However, we cannot assure you that our methods to protect the information are adequate, and others could independently develop or otherwise obtain access to our proprietary know-how, concepts, recipes and trade secrets. As a result, the appeal of our restaurants could be reduced and our business and results of operations could be adversely affected.

If our efforts to maintain and protect our intellectual property are inadequate, or if any third party misappropriates, dilutes or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on our business and might prevent our brands from achieving or maintaining market acceptance. For example, we are aware of restaurant chains operating under the “Xiao Nan Guo (小南國)” brand in other provinces or regions in the PRC such as Henan Province and Inner Mongolia Autonomous Region. According to our PRC legal adviser, the Xiao Nan Guo brand, as a well-known trademark recognized by SAIC, is afforded primarily the following protections under PRC law: (i) no third party may use an identical or similar trademark in any industry

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or business without prior approval and (ii) no third party may use the Xiao Nan Guo brand in its registered name or trade name without prior approval. However, our PRC legal adviser has advised us that a third party might continue to use an identical or similar trademark, if (i) the relevant party has commenced using the trademark before the Xiao Nan Guo brand was registered with SAIC and (ii) the relevant party continues to use the trademark in good faith and within its then scope of operations. We are evaluating our options and optimum strategies. During the Track Record Period, we lodged complaints with the local Administrations of Industry and Commerce in Suzhou, in relation to similar infringements of our intellectual property rights before we expanded into the city, and successfully obtained and enforced administrative orders requiring the infringing parties to cease their unauthorized use.

However, we cannot assure you that the measures we have put in place to protect our intellectual property rights will be sufficient. Despite our efforts, we may not be able to prevent third parties from infringing upon our intellectual property rights, including our trademark, brand and logo. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, which would likely be time-consuming and expensive to resolve and would divert our management's time and attention regardless of its outcome. Negative publicity or customer disputes and complaints regarding any infringing parties' unauthorized use of our or similar trademark, brand and logo could dilute or tarnish our restaurants' brand appeal, which could materially reduce our sales, profitability and prospects even if we are able to successfully enforce our rights. Even if the use by an infringing restaurant of the identical or similar trademark, brand and logo does not confuse the customers, the distinctive nature of our restaurants' brand image could be blurred because our trademark, brand and logo may lose the distinctive association in the customers' awareness with our restaurants, which in turn could materially reduce our sales, profitability and prospects. In addition, we could face increased difficulty and incur additional expenses during our future expansion because of the existence of infringing restaurants in provinces or regions of the PRC where we currently do not have operations. Therefore, our failure to protect or safeguard our intellectual property rights could materially and adversely affect our business, financial condition and results of operations.

Events that disrupt our operations, such as fires, floods, earthquakes or other natural or man-made disasters, may materially and adversely affect our business operations.

Our operations are vulnerable to interruption by fires, floods, earthquakes, power failures and power shortages, hardware and software failures, computer viruses, terrorist attacks and other events beyond our control. Fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may prevent us from providing quality food and service to customers, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations.

If our suppliers do not deliver food and other supplies in a timely fashion, we may experience short-term supply shortages and increased food costs.

Our ability to maintain consistent quality throughout our restaurants depends in part upon our ability to acquire fresh food products and related supplies from reliable sources in accordance with our specifications and in sufficient quantities. If any of our suppliers do not perform adequately or otherwise fail to distribute products or supplies to our restaurants in a timely manner, we cannot assure you that we will be able to replace the suppliers in a short period of time on acceptable terms, and our failure to do so could increase our food costs and could cause shortage of food and other supplies

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at our restaurants that may cause us to remove certain items from the menu of one or more restaurants. If we remove popular items from a restaurant's menu, that restaurant may experience a significant reduction in revenue during the time affected by the shortage and thereafter, as our guests may change their dining habits as a result.

A disruption of our food supplies could occur for a variety of reasons, many of which are beyond our control, including adverse weather conditions, natural disasters, diseases or unexpected production shortages. Moreover, there is no assurance that our current supplies may always be able to meet our stringent quality control requirements in the future.

Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations.

The restaurant industry is affected by macro-economic factors, including changes in international, national, regional, and local economic conditions, employment levels and consumer spending patterns. The disruptions in the overall economy and financial markets and the related reduction in consumer confidence in the economy since 2008 have negatively affected and may continue to negatively affect large segments of the restaurant industry, including our restaurants. For example, our comparable restaurant sales decreased by RMB42.9 million, or 9.0%, from RMB475.2 million in 2008 to RMB432.3 million in 2009. It is uncertain whether the recovery from the global financial crisis of 2008 is sustainable. A slowdown in China's economy or the global economy may lead to a reduction of guest traffic and average check per guest at our restaurants, which could materially and adversely affect our financial condition and results of operations.

Moreover, the occurrence of a sovereign debt crisis, banking crisis or other financial disruptions that could impact the availability of credit may have a material and adverse impact on financings available to us. Renewed financial turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, financial condition and results of operations.

Intense competition in the restaurant industry could prevent us from increasing or sustaining our revenue and profitability.

The restaurant industry is intensely competitive with respect to food quality and consistency, price-value relationships, ambiance, service, location, supply of quality food ingredients and employees. Many existing restaurants compete with us at each of our locations. Key competitive factors in the industry include type of cuisine, food choice, food quality and consistency, quality of service, price, dining experience, restaurant location and the ambiance of the facilities. There are a number of well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and many of our competitors are well established in the markets where we have restaurants, or in which we intend to open new restaurants. Additionally, other companies may develop restaurants that operate with similar concepts resulting in increased competition.

Any inability to successfully compete with the other restaurants in our markets may prevent us from increasing or sustaining our revenues and profitability and could have a material adverse effect on our business, financial condition, results of operations or cash flows. We may also need to modify

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or refine elements of our restaurant system to evolve our concepts in order to compete with popular new restaurant styles or concepts that develop from time to time. We cannot ensure that we will be successful in implementing these modifications or that these modifications will not reduce our profitability.

Our results of operations may fluctuate significantly due to seasonality and other factors.

Our overall results of operations may fluctuate significantly from period to period because of several factors, including the timing of new restaurant openings and the amounts of associated pre-opening costs and expenses, operating costs for our newly opened restaurants, any losses associated with our restaurant closings, and seasonal fluctuations that may vary depending upon the region in which a particular restaurant is located. Our revenue derived from the second half of a calendar year is generally higher than the first half of the year. As a result of the above factors, our results of operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Our results for a given fiscal period are not necessarily indicative of results to be expected for any other fiscal period.

Our business is affected by changes in consumer preference or discretionary spending.

We believe the restaurant industry is characterized by the continual introduction of new concepts and is subject to rapidly changing consumer preferences, tastes and dining habits. Our continued success depends in part upon the popularity of menu items and style of dining we offer. Shifts in consumer preferences away from our menu items or dining style could materially and adversely affect our business and results of operations. Moreover, our future performance depends in part on our ability to anticipate and respond to changing consumer preferences, tastes and dining habits, and to other factors affecting the restaurant industry, including new market entrants and demographic changes. Although we have a dedicated product development team that constantly updates our menu to adapt to changes in seasons, dining trends and shifts in consumer preferences and tastes, we cannot assure you that our menu and style of dining will continue to suit the popular tastes and demands of consumers. If we are unable to identify new customer preferences and develop and offer new menu items accordingly, or if we lag behind our competitors in introducing new dishes appealing to our target market, sales at our restaurants may be adversely affected. If we change our concept and menu to respond to changing consumer tastes or dining patterns, we may lose customers who do not like the new concept or menu, and may not be able to attract a sufficient new customer base to produce the revenue needed to make the restaurant profitable.

Purchases at our restaurants are discretionary, and therefore, our success also depends to a significant extent on numerous factors affecting discretionary consumer spending, including general economic conditions, disposable consumer income and consumer confidence. Our restaurants cater primarily to business clientele and local fine-dining guests. Changes in consumer discretionary spending could more dramatically affect middle to high end restaurant concepts than low end restaurant concepts. Adverse changes in these factors could reduce guest traffic and average check per guest or impose practical limits on pricing, either of which could materially and adversely affect our business and results of operations.

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Our historical financial and operating results may not be indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Our historical results may not be indicative of our future performance. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, special events, regulations or actions pertaining to Chinese full service restaurants based in China and our ability to control costs and operating expenses. For example, the guest counts of our comparable restaurants base in China increased from 2009 to 2010 primarily due to (i) the strong rebound of Chinese economy in 2010, and (ii) the boost to sales in Shanghai resulting from the World Expo held from May 2010 to October 2010. As a result of the above and other factors, our comparable restaurant sales increased by RMB77.8 million, or 13.2%, from 2009 to 2010. We define our comparable restaurant base to be those restaurants that were open throughout the periods under comparison. For the opening dates of our restaurants operating during the Track Record Periods, please see the section headed “Business — Restaurant Network”. Since our operating results during our Track Record Period were impacted by various extraordinary events beyond our control, such as the global financial crisis that unfolded in the second half of 2008 and the World Expo held in Shanghai in 2010, we believe that period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our Shares. For more details, please see the section headed “Financial Information — Key Factors Affecting Our Results of Operations — Guest Traffic and Average Check per Guest”.

We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the laws and regulations of the PRC, we are required to maintain various approvals, licenses and permits in order to operate our restaurant business. Each of our restaurants in the PRC are required to obtain the relevant food hygiene license or food service license, public assembly venue hygiene license, environmental protection assessment and inspection approval and fire safety design approval and fire prevention inspection report, and some of our restaurants which sell alcoholic beverage and tobacco are required to make further registration or obtain additional approvals. These licenses and registrations are achieved upon satisfactory compliance with, amongst other things, the applicable food safety, hygiene, environmental protection, fire safety, wine and tobacco laws and regulations. Most of these licenses are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

During the Track Record Period, certain of our restaurants did not obtain all required key licenses, permits and approvals before the deadlines set forth in the relevant PRC laws. We have adopted corresponding remedial measures to apply for and obtain such licenses, permits and approvals. As of the Latest Practicable Date, we have obtained all key licenses, permits and approvals required under the PRC laws. However, we cannot assure you that the competent PRC authorities will not impose any administrative penalty against us in connection with our various historical non-compliances, which may materially and adversely affect our business and results of operations.

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In addition, there can be no assurance that we will be able to renew all of the licenses when they are expired. If we cannot obtain and maintain all licenses required by us to operate our business, our business could be interrupted or the continued operations of our restaurants may be subject to fine and penalty. In addition, we need new licenses for our new restaurants. If we are not able to obtain new licenses for our new restaurants, we will not be able to develop new restaurants as we plan.

Certain defects caused by non-registration of our lease agreements related to certain properties occupied by us in the PRC may materially and adversely affect our ability to use such properties.

As of the Latest Practicable Date, we leased 52 properties in the PRC with an aggregate gross floor area of approximately 105,929 square meters. As of the Latest Practicable Date, the lessors of 35 properties leased by us had not registered the relevant lease agreements with the appropriate government authorities in the PRC, most of which are used as premises for our restaurants. The aggregate gross floor area of these properties is approximately 75,097 square meters.

As advised by our PRC legal adviser, under PRC laws, an executed lease agreement must be registered and filed with the relevant land and real estate administration bureau. A failure to register an executed lease agreement will not invalidate the lease agreement. Since we have been lawfully using and occupying the premises pursuant to the lease agreement, our PRC legal adviser has advised us that our rights would take precedence over any lessee under a subsequently registered lease agreement.

Our PRC legal adviser has advised us that depending on the local regulations, the lessor or both lessor and lessee are under the obligation to register and file an executed lease agreement with the relevant land and real estate administration bureau. We have proactively requested lessors of the relevant properties to complete or cooperate with us to complete the registration and filing procedures in a timely manner, but we are unable to control whether and when such lessors will do so.

We have been advised by our PRC legal adviser that we will not be subject to material penalties under PRC laws and regulations for the non-registration of the lease agreements. Up to the Latest Practicable Date, the operations of the restaurants located at the aforesaid properties have not been disrupted due to the non-registration of our lease agreements as described above. However, we cannot assure you that our lease agreements relating to, and our right to use and occupy, the premises mentioned above will not be challenged in the future. We also cannot assure you that we will not encounter similar problems in the future with respect to restaurant premises in the PRC. If this occurs, we may be forced to renegotiate the affected lease agreement, which may result in an extension or renewal of the existing lease at higher rents or other less favorable terms, or to relocate or terminate our operations on the affected premises, which will cause us to incur related expenses and may disrupt our business and operations.

Defects in title ownership certificates for certain of our leased properties may adversely affect our ability to use such property and may affect our business and results of operations.

As of the Latest Practicable Date, with respect to three of our leased properties in the PRC, the relevant lessors had not provided us with the relevant title ownership certificates or land use right certificates or both evidencing their rights to lease the properties to us. These three properties are located in three cities in the PRC, used for restaurant purpose and have an aggregate gross floor area of approximately 6,781 square meters, representing 6.0% of the total gross floor area of our leased properties in the PRC.

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As advised by our PRC legal adviser, if the lessors of the relevant leased properties do not have the requisite rights to lease out the relevant leased properties, the relevant lease agreements may be deemed invalid, and as a result, we may be required to move out from the relevant leased properties and relocate our restaurants. Our Controlling Shareholder, Ms. Wang has agreed to indemnify us for all costs, expenses and losses incurred by us as a result. However, we cannot assure you that we will not be subject to any loss in the future if we are required to move out from the relevant leased properties, and our business and results of operations will be materially affected.

Certain of our leased properties in the PRC are encumbered and used as restaurants in breach of the applicable zoning permits.

As of the Latest Practicable Date, we leased 52 properties in the PRC with an aggregate gross floor area of approximately 105,929 square meters. Of these, 15 properties which are used as our restaurants are subject to mortgages in favor of certain financial institutions (the “Mortgagees”). Of these 15 encumbered properties, the lessors have not obtained the written consent from the Mortgagees with respect to three properties. Absent such consent, the lessors of these three properties may be in breach of the terms of the relevant mortgages, thereby entitling the Mortgagees to exercise certain rights, such as requiring us to vacate these properties. We will have to vacate from these properties if the Mortgagee exercises this right and will incur additional costs in relocating our restaurants to other suitable locations, thereby affecting our business operations and financial conditions.

Of the 52 leased properties referred to above, our use of five premises as our restaurants does not comply with the permitted uses specified in the relevant zoning permits, which may subject the landlords of the properties to warnings, fines, orders of rectification, or even revocation of land use rights without compensation. We will have to vacate the premises should the competent authority decide to revoke the land use rights of the landlords and will have to secure other suitable premises, thereby adversely affecting our business operations and financial conditions. Our Controlling Shareholder, Ms. Wang, has undertaken to indemnify us against any expenses, losses and damages incurred by us as a result of this defect to the extent that we could not recover such expenses, losses and damages from the relevant lessors.

Out of the 52 properties, one of the leased properties is located on allocated land (劃撥地) and is used by us as central kitchen. According to relevant laws and regulations, the lease of such property on allocated land must be approved by and registered with the appropriate government authorities in the PRC. However, as of the Latest Practicable Date, the lessor had not obtained the necessary approval nor completed the registration. Due to the lessor’s failure to obtain the necessary approvals and complete the relevant registration, such lease may be deemed invalid. If this occurs, we may be forced to relocate our affected central kitchen. As of the Latest Practicable Date, the operation of our central kitchen located on the allocated land had not been disrupted nor were we forced to relocate such central kitchen, however, we can give no assurance that we will not be subject to any loss in the future.

Our success depends on our key personnel and our business may be harmed if we lose their services or they could not successfully manage our growing operations.

Our future success depends heavily upon the continuing services and performance of our key management personnel, in particular Ms. Wang, our founder and current chairlady, and Mr. Kang Jie, our chief executive officer. We must continue to attract, retain and motivate a sufficient number of

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qualified management and operating personnel, including regional operational managers, restaurant general managers and executive chefs, to maintain consistency in the quality and atmosphere of our restaurants. Any failure to attract, retain and motivate these key personnel may harm our reputation and result in a loss of business.

If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our business and results of operations may be materially and adversely affected. Competition for experienced management and operating personnel in the restaurant industry is intense, the pool of qualified candidates is limited, and we may not be able to retain the services of our key management and operating personnel or attract and retain high-quality senior executives or key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose business secrets and know-how as a result.

Our senior management team has a limited history of working together. Our future success depends on the ability of our senior management team to work together and successfully implement our growth strategy while maintaining the strength of our brand. If our senior management team fails to work together successfully, or if one or more of our senior managers is unable to effectively implement our business strategy, we may be unable to grow our business at the speed or in the manner in which we expect.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, customers or other third parties.

As we operate in the restaurant industry, we usually receive and handle relatively large amounts of cash in our daily operations. We are not aware of any instances of fraud, theft and other misconducts involving employees, customers and other third parties that had any material adverse impact on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. However, we can not assure you that there will not be any such instances in future. Such instances of misconducts can be difficult to fully detect, deter and prevent, and could subject us to financial losses and harm our reputation in the event that they happen to us.

In order to avoid misappropriation and illegal uses of cash, we have implemented a series of measures to strengthen our cash management system. For more details, please see the section headed “Business — Restaurant Operations and Management — Settlement and Cash Management”. We have also adopted written anti-fraud policies establishing whistle-blower mechanisms, under which our employees are encouraged to report internally any incidence of fraud, theft, misappropriation or other misconduct committed by other employees or against our Company. Although we consider our internal control policies and procedures to be adequate as of the Latest Practicable Date, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

Our historical dividend may not be indicative of our future dividends, and our ability to pay dividends and dispose of assets may be limited by contractual restrictions under our credit facilities.

We declared dividends of RMB5.5 million, RMB38.0 million, RMB160.3 million and nil for the three years ended December 31, 2010 and five months ended May 31, 2011, respectively. We cannot assure you that we will declare or pay dividends in the future, and potential investors should be aware

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that the amount of dividends that were declared and paid in the past should not be used as a reference or basis upon which future dividends will be determined. Whether dividends will be distributed and the amount to be distributed will depend on factors such as our profitability, financial condition, business development requirements, future prospects and contractual restrictions to which we are subject.

We entered into a senior credit facility with an affiliate of Standard Chartered in the PRC in March 2011 and a term loan facility with an affiliate of Standard Chartered in Hong Kong in May 2011. The relevant facilities agreements contain financial covenants that require us to maintain certain financial ratios as well as covenants that prohibit us, without the lenders' express prior written consent and approval, from disposing assets, making acquisitions, declaring or paying dividends to shareholders, incurring indebtedness and engaging in other corporate actions. The agreements also contain customary events of default.

There is no assurance that the lender will grant consents to our planned declaration and payment of dividends in the future, or at all. In addition, if the lender does not permit us to dispose of any existing or future assets, or engage in other corporate actions, our business and prospects may be materially and adversely affected. In addition, if we breach any financial covenants or any events of default occur, we may be forced to prepay all the outstanding amounts owed to the lender. However, a prepayment may require us to secure additional sources of financing, which may not be available on terms acceptable to us or at all. If we are unable to obtain additional sources of financing, there is no assurance that we will have sufficient cash balances in future to prepay the loans if we are required to do so. Moreover, even if we have sufficient financial resources to prepay these loans, such prepayment could materially and adversely affect our liquidity.

The interests of our Controlling Shareholders, including Ms. Wang, may conflict with the interests of our other shareholders, and our Controlling Shareholders may take actions, and exercise influence that favor their interests over the interests of us or our public Shareholders.

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option or Pre-IPO Share Options or options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 38.19%, 8.27%, 0.37%, 6.52% and 7.27% by Value Boost, Expert City, Fast Glow, Full Health and Well Reach, respectively. Ms. Wang will be interested in approximately 38.19% of our Company's total issued share capital through The Wang Trust, and the Trustee of The Wang Trust owns 100% interest of Value Boost. Ms. Wang has the absolute discretion to exercise her voting rights at all general meetings of each of Expert City, Fast Glow, Full Health and Well Reach, which collectively will own approximately 22.43% of the enlarged issued share capital of the Company. Therefore, Value Boost, The Trustee, Ms. Wang and each of Expert City, Fast Glow, Full Health and Well Reach will be a Controlling Shareholder upon Listing.

Our Controlling Shareholders will be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings in matters that are significant to us and our public Shareholders, including, but not limited to, matters relating to the following:

- mergers or other business combinations;
- acquisition or disposition of assets;
- issuance of any additional Shares or other equity securities;

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- timing and amount of dividend payments; and
- management of our Company.

The interest of our Controlling Shareholders may not be the same as, and may conflict with, those of our public Shareholders. Our Controlling Shareholders may take actions, and exercise influence that favor their interests over the interests of us or our public Shareholders. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other Shareholders.

Furthermore, if other businesses affiliated with our Controlling Shareholders compete with us for qualified restaurant managers and employees, potential premises for restaurant operations and other resources, it could materially and adversely affect our business operations and expansion plans. Any actual or perceived competition from our Controlling Shareholders' other businesses could have a material adverse effect on our business operations and investors' confidence in us. Our Controlling Shareholders have entered into a deed of non-competition dated September 5, 2011 in favor of us. However, it may be difficult to enforce this agreement against our Controlling Shareholders if any dispute arises between any of our Controlling Shareholders and us.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

As of the date of this prospectus, we have obtained insurance policies that we believe are customary for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we have operations. We currently have in place public liability insurance and property insurance for all of our restaurants in Hong Kong and the PRC. For more details, see the section headed "Business — Insurance". However, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of reputation. These losses, if they occur, could have a material and adverse effect on our business and results of operations. If we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business and results of operations may be materially and adversely affected.

Information technology system failures or breaches of our network security could interrupt our operations and adversely affect our business.

We rely on our computer systems and network infrastructure across our operations to monitor the daily operations of our restaurants, food production and processing processes, and to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and results of operations.

We also receive and maintain certain personal information about our guests by making credit or debit cards sales or issuing membership cards. If our network security is compromised and such information is obtained by unauthorized persons or used inappropriately, our reputation could be adversely affected and litigation may be initiated against us.

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We have previous incidences of non-compliance with the Companies Ordinance.

Some of our subsidiaries incorporated in Hong Kong have on various occasions not fully complied with certain statutory requirements in the Companies Ordinance with respect to matters such as holding annual general meetings and filing notice of changes in corporate particulars. See the section headed “Business — Legal Compliance — Hong Kong Regulatory Compliance”.

Our Controlling Shareholders have agreed to indemnify us in respect of any liability which might be payable by any member of our Group arising from any possible or alleged violation or non-compliance with any Hong Kong laws or regulations on all matters, including the relevant non-compliance with the Companies Ordinance, prior to the date on which the Global Offering becomes unconditional.

If the Hong Kong Companies Registry takes action against the relevant subsidiaries in our Group, our reputation, cash flow and results of operation may be adversely affected.

RISKS RELATING TO CHINA

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could materially and adversely affect our business and results of operations.

A majority of our business operations are conducted in the PRC and a significant amount of our sales are made in the PRC. Accordingly, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing, and the allocation of resources. Restaurant dining is discretionary for customers and tends to be higher during periods in which favorable economic conditions prevail. Customers’ tendency to become more cost-conscious as a result of an economic slowdown or decreases in disposable income may reduce our customer traffic or average revenue per customer, which may adversely affect our revenues.

While the Chinese economy has experienced significant growth in the past 30 years, growth has been uneven geographically among various sectors of the economy and during different periods. We cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our business. For example, due in part to the impact of the global crisis in financial services and credit markets and other factors, China’s year-on-year real GDP growth rate decreased to 6.8% in the fourth quarter of 2008, down from the figure of 11.9% reached in the second quarter of 2007. As a result, beginning in September 2008, among other measures, the PRC government began to loosen macroeconomic measures and monetary policies by reducing interest rates and decreasing the statutory reserve rates for banks. In addition, in November 2008, the PRC government announced an economic stimulus package in the amount of RMB4.0 trillion. Furthermore, the PRC government has increased its deposit reserve ratio six times within 2010, in each case by 0.5%, to control the growth of the PRC economy. We cannot assure you that the various macroeconomic measures, monetary policies and the economic stimulus package adopted by the PRC government to guide

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economic growth and the allocation of resources will be effective in sustaining the fast growth rate of the Chinese economy. In addition, such measures, even if they benefit the overall Chinese economy in the long-term, may adversely affect us if they reduce the disposable income of our customers or dampen their willingness to dine at restaurants.

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

A majority of our businesses are conducted through our subsidiaries in China. Thus, our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the prospectus.

We are a company incorporated under the laws of the Cayman Islands and a majority of our businesses, assets and operations are located in China. In addition, a substantial majority of our Directors and executive officers reside in China and most of them are PRC nationals. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to binding arbitration awards may be difficult or impossible.

Although we will be subject to the Listing Rules and the Takeovers Code upon the Listing, our Shareholders will not be able to bring actions on the basis of violations of the Listing Rules, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code also do not have the force of law in Hong Kong and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share purchases in Hong Kong.

In addition, since we are incorporated under the laws of the Cayman Islands and our corporate affairs are governed by the laws of the Cayman Islands, it may not be possible for you to bring an action against us or against our Directors or officers based upon PRC laws in the event that you believe that your rights as a shareholder have been infringed.

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Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a majority of our revenues in RMB. Under our current corporate structure, a majority of our income is derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our Shares.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners to personal liability and limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect us.

SAFE issued a public notice in October 2005, the Circular on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted through Offshore Special Purpose Companies, or SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies which are also established or controlled by such PRC residents, referred to in the notice as an “offshore special purpose company.” In addition, any PRC resident that is a shareholder of an offshore special purpose entity is required to amend his or her SAFE registration with respect to that offshore special purpose entity in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment, creation of any security interest over any assets located in China or any other material changes in share capital.

According to our PRC legal adviser, Ms. Wang, the PRC resident beneficial owner of our Company has completed the initial registration as required by Circular No. 75 and has duly amended such registration to reflect the changes to the information included in the initial registration. We cannot provide any assurances that all of our shareholders subject to the SAFE regulations and any PRC resident who becomes our beneficial owner in the future will be able to comply with the SAFE regulations in a timely manner, or at all. Any failure or inability of our PRC resident beneficial owners to comply with the registration procedures may subject such PRC resident beneficial owners to certain fines and legal sanctions, restrict our cross-border investment and financing activities, or limit our PRC subsidiaries' ability to distribute dividends or obtain foreign exchange-denominated loans.

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As it remains uncertain how the SAFE regulations will be interpreted or implemented, we cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to more stringent review and approval processes with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our business, financial condition and results of operations.

All participants under the Pre-IPO Share Option Schemes and Share Option Scheme who are PRC citizens may be required to register with SAFE. We may also face regulatory uncertainties that could restrict our ability to adopt additional share option plans for our Directors, employees and other parties under PRC law after Listing.

On March 28, 2007, SAFE issued the Operating Procedures on Administration of Foreign Exchange Regarding Chinese Individuals' Participation in Employee Share Ownership Plans and Employee Stock Option Plans of Overseas Listed Companies, or the Stock Option Rule. According to the advice of our PRC legal adviser, Chinese citizens who are granted shares or stock options by an overseas publicly listed company according to its employee share option or share incentive plan are required under the Stock Option Rule, through a Chinese agent or Chinese subsidiary of such overseas publicly listed company, to register with SAFE or its local counterparts and complete certain other procedures before exercising the relevant share options.

Our Company adopted the Pre-IPO Share Option Schemes on February 10, 2010 and March 15, 2011, respectively, and the options already granted under which to our employees who are PRC citizens are required to register with SAFE before exercising the options. However, we cannot assure you that we or our employees can successfully complete the registrations under the Stock Option Rule in the future. If we or our Chinese employees fail to complete these registrations, we or our employees may be subject to fines and legal sanctions.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Since 1994, the conversion of Renminbi into other currencies, including Hong Kong and U.S. dollars, has been based on rates set by the People's Bank of China, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and referenced to a basket of currencies. From July 21, 2005 to March 31, 2008, the value of the Renminbi has appreciated by approximately 18.0% against the U.S. dollar. The PRC government has since made and may make further adjustments to the exchange rate system in the future.

A majority of our revenues and costs are denominated in RMB, and a significant portion of our financial assets are also denominated in RMB. We rely on dividends and other fees paid to us by our wholly-owned subsidiaries in China. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, any appreciation of the

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Renminbi against the Hong Kong or U.S. dollar or any other currencies may result in the decrease in the Renminbi-equivalent value of the proceeds from this Global Offering and our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our ordinary shares in foreign currency terms.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds of the Global Offering in the manner described in the section headed “Future Plans and Use of Proceeds,” as an offshore holding company of our PRC operating subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly-owned subsidiaries in China, each of which is a foreign-invested enterprise, to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterpart.

In addition, any capital contributions to our PRC wholly-owned subsidiaries must be approved by the Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely on dividends and other distributions paid by our wholly-owned operating subsidiaries in China to fund any cash and financing requirements we may have, and any limitation on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to borrow money or pay dividends to holders of our Shares.

We are a holding company and conduct substantially all of our business through our operating subsidiaries. We rely on dividends and other payments from our wholly owned operating subsidiaries in China for our cash needs, including funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. If our Chinese subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to make payments or distributions to us. Furthermore, relevant Chinese laws and regulations permit payments of dividends by Chinese subsidiaries only out of their retained earnings, if any, as determined in accordance with Chinese accounting standards and regulations.

Under Chinese laws and regulations, each of our Chinese subsidiaries is required to set aside a portion of its net income based on PRC accounting standards each year to fund a statutory surplus reserve, until the accumulated amount of such reserve has exceeded 50% of its registered capital. The statutory surplus reserve amounted to RMB10.0 million as of December 31, 2010. This reserve is not distributable as dividends except in the event of liquidation of these subsidiaries. As a result, our Chinese subsidiaries are restricted in their ability to transfer a portion of their net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. Limitation on the ability of our Chinese subsidiaries to pay dividends to us or any of our other subsidiaries could materially and adversely limit our ability to borrow money outside of China or pay dividends to holders of our Shares. Also see the section headed “— Risks Relating to China — The dividends we receive from our

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Chinese subsidiaries and our global income may be subject to Chinese tax under the New EIT Law, which would have a material adverse effect on our results of operations; our non-PRC Shareholders will be subject to a Chinese withholding tax upon the dividends payable by us and gains on the sale of Shares, if we are classified as a Chinese ‘resident enterprise.’”

The dividends we receive from our Chinese subsidiaries and our global income may be subject to Chinese tax under the New EIT Law, which would have a material adverse effect on our results of operations; our non-PRC Shareholders will be subject to a Chinese withholding tax upon the dividends payable by us and gains on the sale of Shares, if we are classified as a Chinese “resident enterprise.”

Under the New EIT Law, dividends, interests, rent, royalties and gains on transfers of property payable by a foreign-invested enterprise in China to its foreign investor who is a non-resident enterprise will be subject to a 10% withholding tax, unless such non-resident enterprise’s jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax. Under the arrangement for avoidance of double taxation between mainland China and Hong Kong, the effective withholding tax applicable to a Hong Kong non-resident company is currently 5% if it directly owns no less than 25% stake in the Chinese foreign-invested enterprise.

Under the New EIT Law, an enterprise established outside China with its “de facto management body” within China is considered a “resident enterprise” in China and is subject to the Chinese enterprise income tax at the rate of 25% on its worldwide income. We cannot assure you that our Company will not be deemed to be a PRC resident enterprise under the New EIT Law and be subject to the PRC enterprise income tax at the rate of 25% on our worldwide income. It is also unclear whether the dividends our Company receives from Xiao Nan Guo WFOE will constitute dividends between “qualified resident enterprises” and therefore qualify for exemption from withholding tax, even if our Company is deemed to be a “resident enterprise” for PRC enterprise income tax purposes. If the Chinese tax authorities subsequently determine that our Company should be classified as a resident enterprise, non-PRC Shareholders will be subject to a 10% withholding tax upon dividends payable by us and gains on the sale of Shares under the New EIT Law. Any such tax may reduce the returns on your investment in our Shares.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Bookrunners (on behalf of the Hong Kong Underwriters and the International Purchasers) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

RISK FACTORS

The trading prices of our Shares may be volatile, which could result in substantial losses to you.

The trading prices of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other restaurant companies based in Asia may affect the trading price of our Shares. In addition, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. Recently, a number of PRC companies have listed their securities, or are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five business days after the pricing date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The sale or availability for sale of substantial amounts of our Shares could adversely affect their trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

The Shares owned by our Controlling Shareholders and Pre-IPO Investors are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

RISK FACTORS

Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

If you purchase our Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, you will experience an immediate dilution in the net tangible asset value, and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the Sole Global Coordinator (on behalf of the International Purchasers) after consultation with Standard Chartered, exercises the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to the Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands law is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix V to this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and the Companies Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. The Group is headquartered in Shanghai, the PRC and our Group's operations are managed and conducted primarily in the PRC. Except for Mr. Weng Xiangwei and Mr. Tsang, Henry Yuk Wong who are currently ordinarily resident in Hong Kong and Mr. Tang Donald Wei who is ordinarily resident in the U.S., respectively, all of our Company's executive and non-executive Directors are currently ordinarily resident in the PRC. Our Company considers that it would be practically difficult and commercially unnecessary to either relocate two executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong. We do not have, and do not contemplate in the foreseeable future that we will have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. In light of the aforesaid, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules, and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives who have been appointed are Mr. Kang Jie (the executive Director and chief executive officer of our Company) and Ms. Leng Yijia (the general counsel and joint company secretary of our Company). Mr. Zhang Jun (the vice president of our Company) has been appointed as our alternate authorized representative. Our authorized representatives and alternate authorized representative will be available to meet with the Stock Exchange on reasonable notice as and when required and will be able to contact our Directors promptly at all times by telephone, facsimile and email as and when the Stock Exchange wishes to contact our Directors on any matters;
- (b) each of our two authorized representatives and alternate authorized representative will be readily available by telephone, email and facsimile to promptly address the inquiries of the Stock Exchange and their contact details (including mobile phone numbers, residential and office phone numbers and facsimile numbers) will be provided to the Stock Exchange;
- (c) all Directors will provide their respective mobile phone numbers, office phone numbers, facsimile numbers and email addresses to the Stock Exchange;
- (d) each of our Directors (including our independent non-executive Directors) holds valid travel documents such that he/she will be available to travel to Hong Kong to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange. Each of our Directors will be readily contactable by telephone, facsimile and email, and is authorized to communicate on behalf of our Company with the Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

- (e) we have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will have access at all times to our authorized representatives, our alternate authorized representative, our Directors and other senior management of our Company, and who will act as an additional channel of communication between our Company and the Stock Exchange. Our compliance adviser will be appointed for a period commencing on the date on which our Shares commence trading on the Stock Exchange and ending on the date on which our Company distributes the annual report for the first full financial year after the date on which our Shares commence trading on the Stock Exchange in accordance with Rule 13.46 of the Listing Rules; and
- (f) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our compliance adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in our authorized representatives, alternate authorized representative and/or our compliance adviser.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, an issuer must have a company secretary who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience to discharge the functions of company secretary of the issuer and who:

- (1) in the case of an issuer which was already listed on December 1, 1989 held the office of secretary of the issuer on that date;
- (2) is an Ordinary Member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant; or
- (3) is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging those functions.

Our Company has appointed Ms. Leng Yijia (冷怡佳) (“Ms. Leng”) as one of our joint company secretaries. Ms. Leng is ordinarily resident in the PRC and does not possess the qualification required under Rule 8.17(2) of the Listing Rules, and hence she does not meet the requirements under Rule 8.17(2) of the Listing Rules. For further details of Ms. Leng’s qualifications and experience, please refer to the section headed “Directors and Senior Management — Senior Management” in this prospectus.

Ms. Leng is familiar with our Group’s operation and business, and has been actively participating in our Company’s initial public offering preparation since she joined our Group in July 2010, through which she has acquired considerable knowledge of the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Although Ms. Leng is not an ordinary resident in Hong Kong, she would be easily accessible at all times by telephone, facsimile and email and her rendering of service as our joint company secretary would not be in any way hindered. Our Directors acknowledge the importance of a company secretary to our Company and having considered Ms. Leng’s previous experience and the above, are of the view that Ms. Leng is a suitable person to act as a joint company secretary of our Company with her respective knowledge and experience. Our

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

Company has also appointed Ms. Mok Ming Wai to act as a joint company secretary and to provide assistance to Ms. Leng so as to enable her to acquire the relevant experience as required under Rule 8.17(3) of the Listing Rules and to duly discharge the functions of a company secretary. Ms. Mok Ming Wai, aged 40, is an associate director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She has over 15 years of professional and in-house experience in company secretarial field. Prior to joining KCS Hong Kong Limited, she worked in the corporate services division of KPMG Hong Kong and acted as the company secretary for a group of two Hong Kong listed companies. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. Ms. Mok is ordinarily resident in Hong Kong. Accordingly, Ms. Mok fully complies with the requirements as stipulated under Rule 8.17 of the Listing Rules.

Our Company has engaged Ms. Mok Ming Wai as joint company secretary for a minimum period of three years commencing from the Listing Date. During her engagement period, Ms. Mok will ensure that she will be available at all times to provide assistance as described above. Ms. Mok will also provide assistance and training to Ms. Leng by introducing her to the relevant provisions and requirements of the Listing Rules in order to enable her to acquire the relevant experience as required under Rule 8.17(3) of the Listing Rules and to duly discharge the functions of a company secretary. In view of this, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.17 of the Listing Rules for an initial period of three years from the date of the Listing and the following arrangements have been made to satisfy those requirements:

- (a) our Company has appointed Ms. Mok Ming Wai as a joint company secretary as mentioned above;
- (b) our Company has appointed (i) Mr. Kang Jie (the executive Director and chief executive officer of our Company) and Ms. Leng (the general counsel and joint company secretary of our Company) as authorized representatives and Mr. Zhang Jun (the vice president of our Company) as alternate authorized representative, and (ii) Haitong International Capital Limited as compliance adviser to act as our Company's additional communication channel with the Stock Exchange;
- (c) our Company will further ensure that Ms. Leng has access to the relevant training and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Stock Exchange. Our Company's Hong Kong legal advisers have provided training on the Listing Rules to Ms. Leng; and
- (d) upon expiry of Ms. Leng's initial term of appointment as our Company's joint company secretary, our Company has to liaise with the Stock Exchange. The Stock Exchange will re-visit the situation in the expectation that the Company should then be able to demonstrate to the satisfaction of the Stock Exchange that Ms. Leng, having had the benefit of Ms. Mok's assistance for three years, would have acquired the relevant experience within the meaning of Rule 8.17(3) such that a further waiver would not be necessary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

PRE-IPO SHARE OPTIONS

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, this prospectus is required to include, among other things, details of the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options. We have granted options to 245 persons to subscribe for 100,000,000 Shares on the terms set out in “Share Option Schemes — Summary of Terms of the Pre-IPO Share Option Schemes” in Appendix VI to this prospectus. Except for those nine grantees who are Directors or senior management of our Group as disclosed in “Share Option Schemes — Summary of Terms of the Pre-IPO Share Option Schemes” in Appendix VI to this prospectus, no grantees under the Pre-IPO Share Option Schemes are Directors or senior management or connected persons of our Group.

We have applied for (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance on the ground that disclosure of the names and addresses of the 227 grantees of the Pre-IPO Share Option Schemes who are not Directors or senior management or connected persons of our Group or any other employees of the Group with a right to subscribe for 1,000,000 Shares or more (such grantees to be collectively referred to as the “Grantees”) (the total number of Shares subject to the options granted to such Grantees being 42,306,439), as well as the number of Shares in respect of which options have been conditionally granted to each Grantee would be unduly burdensome for us due to the following reasons:

- (i) as the options granted under the Pre-IPO Share Option Schemes are in many instances considered as part of each Grantee’s remuneration package, information on such options is highly sensitive and confidential among the Grantees;
- (ii) given 227 Grantees are involved, strict compliance with the applicable disclosure requirements under the Companies Ordinance on an individual basis in this prospectus will be costly and unduly burdensome on our Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing;
- (iii) the grant and exercise in full of the options granted under the Pre-IPO Share Option Schemes will not cause any material adverse change in the financial position of our Company;
- (iv) the lack of full compliance with the applicable disclosure requirements under the Listing Rules and the Companies Ordinance will not hinder our Company in providing an informed assessment of our Company’s activities, assets and liabilities, financial position, management and prospects to its potential investors; and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

- (v) the disclosure of key information of the options granted to Directors, senior management, connected persons of our Group and other employees of our Group who have been granted with 1,000,000 options or more under the Pre-IPO Share Option Schemes, as described in the section headed “Share Option Schemes — Summary of Terms of the Pre-IPO Share Option Schemes” in Appendix VI to this prospectus should provide potential investors with sufficient information to make a relevant assessment of our Company in their investment decision-making process.

The Stock Exchange has granted the waiver to us subject to the conditions that:

- (a) on individual basis, full details of all the options granted by the Company under the Pre-IPO Share Option Schemes to the Directors, senior management or connected persons of the Group or to any other employees of the Group who have been granted options for 1,000,000 Shares or more, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, be disclosed in this prospectus;
- (b) in respect of the options granted by the Company to the Grantees other than those referred to in sub-paragraph (a), the following details be fully disclosed in this prospectus:
 - (1) the aggregate number of Grantees;
 - (2) the number of Shares subject to such options;
 - (3) the consideration paid for the grant of such options;
 - (4) the exercise period of each option; and
 - (5) the exercise price for the options;
- (c) the dilution effect and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Schemes be disclosed in this prospectus;
- (d) the aggregate number of Shares subject to the outstanding options granted by our Company under the Pre-IPO Share Option Schemes and the percentage of our Company’s issued share capital of which such number represents be disclosed in this prospectus;
- (e) a summary of the Pre-IPO Share Option Schemes be disclosed in this prospectus; and
- (f) the list of all the Grantees who have been conditionally granted options to subscribe for Shares under the Pre-IPO Share Option Schemes, containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, be made available for public inspection.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

The SFC has issued a certificate of exemption under section 342A of the Companies Ordinance exempting the Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance subject to the conditions that:

- (aa) on individual basis, full details of all the options granted by our Company under the Pre-IPO Share Option Schemes to each of the Directors, senior management or connected persons of the Group or to any other employees of the Group who have been granted options for 1,000,000 Shares or more, be disclosed in this prospectus, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
- (bb) in respect of the options granted by our Company under the Pre-IPO Share Option Schemes to the Grantees other than those referred to in sub-paragraph (aa), the following details be disclosed in this prospectus:
 - (1) the aggregate number of Grantees;
 - (2) the number of Shares subject to the options;
 - (3) the consideration paid for the grant of the options;
 - (4) the exercise period of each option; and
 - (5) the exercise price for the options.
- (cc) a list of all the Grantees (including the persons referred to in sub-paragraph (aa) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Schemes, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance be made available for public inspection in accordance with the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VII to this prospectus.

Further details of the Pre-IPO Share Option Schemes and the respective waiver are set out in the section headed “Share Option Schemes — Summary of Terms of the Pre-IPO Share Option Schemes” in Appendix VI to this prospectus.

CONNECTED TRANSACTIONS

The Company has entered and is expected to enter into certain transactions, which would constitute continuing connected transactions for our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for a waiver from strict compliance with the announcement requirement set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details of such waiver, please refer to the section headed “Connected Transactions” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to the agreement on the Offer Price between the Joint Bookrunners (on behalf of the Underwriters) and our Company on or before the Price Determination Date. The Global Offering is managed by the Joint Bookrunners. Further details of the Underwriters and the underwriting arrangements are set out in the section headed “Underwriting — Commission and Expenses” in this prospectus.

SELLING RESTRICTIONS

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Bookrunners, the Joint Sponsors, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering”, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed “How to Apply for the Hong Kong Public Offer Shares” and on the relevant Application Forms.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to (i) the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the Capitalization Issue; and (iii) the exercise of any options that were granted or may be granted under our Pre-IPO Share Option Schemes and Share Option Scheme.

No part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscription for, purchasing, holding, disposing of and dealing in our Shares. It is emphasized that none of our Group, the Joint Bookrunners, the Joint Sponsors, the Underwriters, any of our or their respective directors, agents or advisers or any other person involved in the Global Offering accepts responsibility for the tax effects or liabilities resulting from your subscription for, purchase, holding, disposal of, or, dealing in our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in our Shares registered in the share register of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the shareholders listed on the Hong Kong share register of our Company, by ordinary post, at the shareholders' risk, to the registered address of each shareholder.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, Merrill Lynch Far East, its affiliates or any person acting for it, as the Stabilizing Manager, on behalf of the Underwriters, may effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for them, to conduct any such stabilizing action.

In connection with the Global Offering, our Company is expected to grant to the International Purchasers the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Purchasers), after consultation with Standard Chartered, no later than 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 50,250,000 Shares, representing 15% of the total number of Shares initially available under the Global Offering, to, among other things, cover over-allotment in the International Offering, if any.

Further details with respect to stabilization and the Over-allotment Option are set out in the section headed "Underwriting — Over-allotment and Stabilization" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
WANG Huimin (王慧敏)	No. 40, 2000 Long, Jianhe Road Changning District Shanghai, PRC	Chinese
WU Wen (吳雯)	183 Chang Sha Road Huangpu District Shanghai, PRC	Chinese
KANG Jie (康捷)	No. 2, 625 Long, Taixing Road Jing'an District Shanghai, PRC	Chinese
Non-executive Directors		
WANG Huili (王慧莉)	214 Huanghe Road Huangpu District Shanghai, PRC	Chinese
TANG Donald Wei (唐偉)	2747 Paradise Road, Unit PH2803 Las Vegas, NV 89109 United States of America	American
WENG Xiangwei (翁向煒)	Flat B, 61/F, BLK2 The Arch (Star Tower) 1 Austin Road West Jordan, Kowloon Hong Kong	Chinese
Independent Non-executive Directors		
TSANG Henry Yuk Wong (曾玉煌)	FT A 7/F Lincoln CT 156 Tai Hang Road Tai Hang, Hong Kong	British
WANG Chiwei (王赤衛)	No. 11, 650 Long, Liuying Road Zhabei District Shanghai, PRC	Chinese
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Joint Bookrunners

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Joint Sponsors

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Receiving Bankers	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road, Kwun Tong Kowloon, Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central, Hong Kong

CORPORATE INFORMATION

Headquarters	3337 Hongmei Road, Minhang District, Shanghai, PRC
Registered Office	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands
Place of Business in Hong Kong Registered under Part XI of the Companies Ordinance	Suites 3201-5, Tower One Times Square, 1 Matheson Street Causeway Bay, Hong Kong
Company's Website	www.xiaonanguo.com <i>(information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Ms. LENG Yijia Ms. MOK Ming Wai, ACS, ACIS
Authorized Representatives	Mr. KANG Jie No. 2, 625 Long, Taixing Road Jing'an District, Shanghai, PRC Ms. LENG Yijia No. 16, 1188 Long, Tangshan Road Yangpu District Shanghai, PRC Mr. ZHANG Jun (alternative authorized representative) No. 20, 65 Long, West Suzhou Road Jing'an District, Shanghai, PRC
Audit Committee	Mr. TSANG Henry Yuk Wong (<i>Chairman</i>) Mr. WENG Xiangwei Mr. WANG Yu
Remuneration Committee	Mr. WANG Yu (<i>Chairman</i>) Ms. WANG Mr. WANG Chiwei
Nomination Committee	Mr. WANG Chiwei (<i>Chairman</i>) Mr. TANG Donald Wei Mr. TSANG Henry Yuk Wong
Executive Committee	Ms. Wang (<i>Chairman</i>) Ms. WU Wen Mr. KANG Jie

CORPORATE INFORMATION

Advisory Committee	Mr. CHU Yuen Wo (<i>Chairman</i>) Mr. CHAN Raymond Mr. YEUNG Kai Chueng Ms. PING Guoqin Mr. ZHU Fenglin
Principal Share Registrar and Transfer Office	Codan Trust Company (Cayman) Limited Cricket Square PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Compliance Adviser	Haitong International Capital Limited 25/F New World Tower 16-18 Queen's Road Central Hong Kong
Principal Banks	Bank of Communications Co., Ltd. Shanghai Branch, Xin Qu Sub-branch No. 260 Xin Jin Qiao Road Pudong New District, Shanghai, PRC Standard Chartered Bank (China) Limited Shanghai Branch No. 201 Century Avenue Pudong New District, Shanghai, PRC Hang Seng Bank Limited 83 Des Voeux Road Central Central, Hong Kong Bank of Shanghai Co., Ltd. Hongmei Sub-branch No. 2917 Hong Mei Road, Minhang District, Shanghai, PRC

REGULATION

PRC REGULATORY COMPLIANCE

This section sets forth a summary of the most significant aspects of PRC laws and regulations relating to our business operations in PRC or our shareholders' rights to receive dividends and other distributions from us.

Regulations on Foreign Investment in Food Services Industry

According to the Catalog for the Guidance of Foreign Investment Industries (外商投資產業指導目錄), as amended, consumer food and beverage services and general food production and sales are classified as industries where foreign investments are allowed by the state ever since 1995.

Laws and Regulations on Food Safety and Licensing Requirement for Consumer Food Services

Before June 1, 2009, the provision of consumer food service in the PRC was subject to the Food Hygiene Law of the PRC (the "Food Hygiene Law", 中華人民共和國食品衛生法), which was promulgated on October 30, 1995 by the Standing Committee of the National People's Congress (the "SCNPC") and came into force on the same date. Pursuant to the Food Hygiene Law, any entity or individual engaged in the provision of consumer food and beverage services shall obtain in advance a food hygiene license issued by the competent health administration authority. No consumer food services shall be provided without a duly-obtained food hygiene license.

The Administrative Measures for Food Hygiene Licenses (食品衛生許可證管理辦法) came into force on June 1, 2006. Under the measures, any entity or individual must be examined and approved by the health administration authority before engaging in providing consumer food services, and must be responsible for food hygiene in the provision of consumer food services. The valid period of hygiene license is four years, while the valid period of hygiene licenses for entities and individuals that engage in food production operations temporarily may not exceed six months. The Administrative Measures for Food Hygiene Licenses ceased to be effective and was replaced by the Administrative Measures on Food and Beverage Service Licensing which came into force on May 1, 2010. But if the consumer food services providers had already obtained a food hygiene license in accordance with the Administrative Measures for Food Hygiene Licenses, the food hygiene license is required to remain effective during its valid period. The food and beverage service providers are required to apply for the food service license to replace the food hygiene license when the valid period of the food hygiene license has expired.

In accordance with the Food Safety Law (食品安全法) and the Implementation Rules of the Food Safety Law (食品安全法實施條例), as effective on June 1 and July 20, 2009 respectively, with the purpose of guaranteeing food safety and safeguarding the health and life safety of the public, the state set up a system of the supervision, monitoring and appraisal on the food safety risk, compulsory adoption of food safety standards, operating standards for food production, food inspection, food export and import and food safety accident response. Providers for food circulation service and consumer food service shall comply with the aforementioned law and rules.

According to the Food Safety Law, the State Council shall set up the Food Safety Commission, whose duties shall be stipulated by the State Council. The health administration department under the State Council shall assume the food safety integrated coordinating responsibility and shall be in charge of food safety risk evaluation, formulation of food safety standard regulations, publication of food safety information, formulation of the qualification conditions for food inspection institutions and the inspection standards, and organizing investigation and disposal of serious food safety

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accidents. The quality supervision department and the administration for industry and commerce under the State Council, as well as the food and drug supervision and administration department of the state shall, in accordance with the provisions of Food Safety Law and the duties stipulated by the State Council, implement the supervision and administration respectively on food production, food circulation, and catering service activities.

The Food Safety Law sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of utensils, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and even criminal punishment. Any restaurant which does not have the food service license may be subject to confiscation of gains and other restaurant assets, or fines ranging from RMB2,000 to ten times the value of food sold at the restaurant.

The Implementation Rules of the Food Safety Law, as effective on July 20, 2009, further specify the detailed measures to be taken and conformed to by food producers and business operators in order to ensure food safety as well as the penalties that shall be imposed should these required measures not be implemented.

On March 4, 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing (餐飲服務許可管理辦法) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (餐飲服務食品安全監督管理辦法). Both measures came into force on May 1, 2010, and the Administrative Measures for Food Hygiene Licenses (食品衛生許可證管理辦法) and the Administrative Measures for Food Hygiene in the Food and Beverage Industry (餐飲業食品衛生管理辦法) were repealed concurrently. Pursuant to the Administrative Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Providers of consumer food services are required to obtain a food service license and are responsible for safety in food and beverage services in accordance with the law. A service provider, providing food and beverage services at different locations or venues must obtain separate food and beverage service licenses for each venue. In the event of any change in the operation locations, a new application for food service license is required. The food service license is valid for a period of three years. For those temporarily providing consumer food services, an interim food service license valid for a period not exceeding six months must be obtained. Where renewal is required, the consumer food services providers are required to submit a renewal application in writing to the original issuing department at least 30 days before the expiry date of the valid period of the food and beverage service license. Overdue renewal application may follow the same procedure as new application for food service license. The original issuing department, after accepting the renewal application for the food service license, must focus on whether there has been any change to the formerly licensed operation venue, any change in the layout of flow processes, and any change to the hygiene facilities, as well as whether the applicant has satisfied the basic conditions required for the grant of a license, and a new food service license will be issued upon successful renewal. Any transfer, alteration, lending, sale or leasing of food service licenses by consumer food service provider is strictly prohibited. Consumer food services providers shall operate within the scope of their licenses in accordance with the law and the scope specified in their food service licenses. The food service license must be hung or displayed at a conspicuous position in the venue for dining. If the consumer food service providers had already obtained a food hygiene license before the implementation date of the Administrative Measures on Food and Beverage Service Licensing, the pre-existing food hygiene license will remain effective

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during its valid period. The consumer food service providers holding a food hygiene license shall apply to the appropriate local food and drug supervision and administration authorities in the administrative regions where they operate, for a food service license before the food hygiene license's expiry date.

Regulations on Licensing Requirement for the Food Production and Processing

On September 1, 2005, the Implementation Rules for the Supervision and Administration on Quality and Safety of Food Production and Processing Enterprises (Trial) (食品生產加工企業質量安全監督管理實施細則(試行)) came into force. Those who engage in food production and processing operations for purpose of sale within the territory of the PRC must abide by the rules. Pursuant to such Rules, the State has adopted a market access system for food quality and safety. Enterprises engaging in food production and processing must possess the requisite production conditions that guarantee food quality and safety, and must obtain the Production License for National Industrial Products (全國工業產品生產許可證) according to required procedures, and the food produced and processed must be inspected, pass the test and imprinted (or adhered) with the market access logo for food quality and safety before leaving the factory for sale. Food subject to production license administration implemented by the State may not be produced by enterprises that have not obtained the Production License for National Industrial Products. Food is prohibited from leaving the factory for sale without being imprinted (or adhered) with the market access logo for food quality and safety. According to the product catalog issued by the General Administration of Quality Supervision, Inspection and Quarantine for the implementation of the production license administration system, those whose business falls within the product catalogue shall apply for the Production License for National Industrial Products.

Xiao Nan Guo Nutritional, a wholly-owned subsidiary of our Group which owns and operates our only free-standing central kitchen, has duly obtained the Production License for National Industrial Products. As advised by our PRC legal adviser, the other subsidiaries of our Group are not required to apply for and obtain such license.

Regulations on The Sanitation of The Public Assembly Venue

The Regulation for the Administration of Sanitation of the Public Assembly Venue (公共場所衛生管理條例) effective on April 1, 1987, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (公共場所衛生管理條例實施細則) first effective on June 1, 1991, and subsequently amended in 1993 and 2010 were promulgated by the State Council and the Ministry of Health respectively. The said regulations were adopted for the purpose of creating favorable and sanitary conditions for the public assembly venues, preventing disease transmission and safeguarding people's health. Depending on the requirements of the local health authority, a restaurant may be required to obtain a public assembly venue hygiene license from the local health authority before it applies for a business license.

Under the aforementioned regulations, the local health authorities shall take the responsibility of supervising the sanitary conditions of the public assembly venues within their respective jurisdiction. Violation of the said regulation and rules may result in administrative penalties ranging from warning, fine, order of rectification, suspension of business, or even the revocation of the public assembly venue hygiene license, depending on the seriousness of the violation.

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Regulations on Tobacco Monopoly

In accordance with the Law on Tobacco Monopoly of the PRC (中華人民共和國煙草專賣法) and the Implementation Rules for the Law on Tobacco Monopoly (煙草專賣法實施條例) issued by the State Council, to engage in the tobacco monopoly retail business, the tobacco monopoly retail license shall be obtained. According to the Administrative Measures for Tobacco Monopoly License (煙草專賣許可證管理辦法) effective on March 7, 2007, when a chain enterprise applies for a tobacco monopoly license for tobacco retail business, each of its branch stores shall file an application with the local tobacco monopoly administrative department.

Any entity or individual who has obtained a tobacco monopoly license for tobacco retail business shall purchase tobacco products from local tobacco wholesale enterprises and shall accept the supervision and inspection of local tobacco monopoly administrative department. Tobacco production enterprises are strictly prohibited to sell tobacco products to enterprises or individuals who do not have the tobacco monopoly retail license. The competent tobacco monopoly administrative department is authorized to confiscate illegal gains and may impose a fine ranging from 5% to 10% of the total price of the tobacco products on enterprises or individuals who purchase tobacco products from other channels besides local tobacco monopoly wholesale enterprises. Under the action of the tobacco monopoly administrative department or under the initiation by itself, the competent department of administration for industry and commerce may order any enterprise or individual who hasn't had a tobacco monopoly retail license to stop the operation of tobacco products retail business, confiscate illegal gains and impose a fine ranging from 20% to 50% of the total illegal business incomes.

Regulations on Liquor Circulation

In accordance with Measures for the Administration of Liquor Circulation (酒類流通管理辦法) effective on January 1, 2006, which was issued by the Ministry of Commerce, a system of archival filing of operators as well as a traceability system shall be established for liquor circulation. Any entity or individual engaged in the wholesale or retail of liquor (herein after referred to in general as "liquor operator") shall, within 60 days of acquiring a business license, make the archival filing and registration formalities in the competent department of commerce at the same level as the administrative department for industry and commerce where the registration is handled according to the principle of territorial administration. The liquor operator shall, when purchasing any liquor, claim the duplicates of the business license, sanitation license, production license (limited to producers), registration form, power of attorney of liquor distribution (limited to producers) of a supplier that supplies goods for the first time. The liquor operator shall establish an account for purchase and sales in the liquor business operation which he or she shall keep for 3 years. The competent departments of commerce may impose a fine up to RMB5,000 on any violation of the aforementioned rules.

According to the Shanghai Regulations on the Production and Sales of Liquor (上海市酒類商品產銷管理條例) effective on January 1, 1998, a license system for the production, wholesale and retail of liquor is adopted. Any entity or individual engaged in the production, wholesale or retail of liquor shall apply for and obtain the liquor production license, liquor wholesale license or liquor retail license.

Regulations on Fire Prevention

The Fire Prevention Law of the PRC (the "Fire Prevention Law", 中華人民共和國消防法) was adopted on April 29, 1998 and amended on October 28, 2008. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Public Security and its local

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counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire prevention units of such public security departments are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. For a construction project that needs a fire prevention design under the national fire protection technical standards for project construction, the construction entity must submit the fire prevention design documents to the fire prevention department of the public security authority for approval or filing purposes (as the case may be). No construction permit shall be given for the construction projects for which the fire prevention design has not been approved or are considered unqualified after the review, nor shall such construction entity commence their construction. Upon completion of a construction project to which a fire prevention design has been applied, according to the requirements of the Fire Prevention Law, such project must go through an acceptance check on fire prevention by, or filed with, the relevant fire prevention departments of public security authorities. No construction may be put into use before it is accepted by the relevant fire prevention units of public security authorities. For each public assembly venue, such as Karaoke clubs, dancing halls, cinemas, hotels, restaurants, shopping malls, trade markets and etc., the construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for a safety check on fire prevention with the relevant fire prevention department under the public security authority at or above the county level where the venue is located, and such place cannot be put into use and operation if it fails to pass the safety check on fire prevention or fails to conform to the safety requirements for fire prevention after such check.

Laws and Regulations on Environmental Protection

Environmental Protection Law

The Environmental Protection Law of the PRC (the “Environmental Protection Law”, 中華人民共和國環境保護法) was promulgated and effective on December 26, 1989. This Legislation has been formulated for the purpose of protecting and improving both the living environment and the ecological environment, preventing and controlling pollution, other public hazards and safeguarding people’s health.

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters. According to the provisions of the Environmental Protection Law, the environmental impact statement on any such construction project must assess the pollution that the project is likely to produce and its impact on the environment, and stipulate preventive and curative measures; the statement shall be submitted to the competent administrative department of environmental protection for approval. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project. Permission to commence production at or utilize any construction project shall not be granted until its installations for the prevention and control of pollution have been examined and confirmed to meet applicable standards by the appropriate administrative department of environmental protection that examined and approved the environmental impact statement. Installations for the prevention and control of pollution shall not be dismantled or left idle without authorization. Where it is absolutely necessary to dismantle any such installation or leave it idle, prior approval shall be obtained from the competent local administrative department of environmental protection.

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The Environmental Protection Law makes it clear that the legal liabilities of any violation of said law include warning, fine, rectification within a time limit, compulsory cease operation, compulsory reinstallation of dismantled installations of the prevention and control of pollution or compulsory reinstallation of those left idle, compulsory shutout or closedown, or even criminal punishment.

Law on Prevention and Control of Water Pollution

The Law on Prevention and Control of Water Pollution of the PRC (the “Water Pollution Prevention and Control Law”, 中華人民共和國水污染防治法) first came into effect as of November 1, 1984 and was subsequently amended on May 15, 1996 and February 28, 2008, respectively. The law applies to the prevention and control of pollution of rivers, lakes, canals, irrigation channels, reservoirs and other surface water bodies and groundwater within the PRC. According to the provisions of the Water Pollution Prevention Law and other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts at or above county level shall take charge of the administration and supervision on the matters of prevention and control of water pollution.

The Water Pollution Prevention Law provides that environmental impact assessment should be conducted in accordance with the relevant laws and regulations for new construction projects and expansion or reconstruction projects and other facilities on water that directly or indirectly discharge pollutants to water bodies. Facilities for the prevention and control of water pollution at a construction project shall be designed, built and put into use along with the main structure of the construction project. The construction project shall only be used after facilities for the prevention and control of water pollution pass the inspection and acceptance by the Ministry of Environmental Protection and its appropriate local counterparts. Dismantling or putting off operation of such installations shall be subject to prior approval of the local counterpart of the Ministry of Environmental Protection at or above the county level.

Under the Provisions on the Inspection and Acceptance of Environmental Protection of Construction Projects, promulgated on December 27, 2001, each construction project is subject to the inspection and acceptance of the Ministry of Environmental Protection or its local counterparts upon the completion of construction, and only after the construction project has passed the inspection and acceptance and acquired the approval thereon can it be put into production or use.

In addition, pursuant to the Water Pollution Prevention, Control Law and the Notice on Issues Concerning Strengthening the Levying of Pollutant Discharge Fees on Village and Township Enterprises and Food and Beverage and Entertainment Service Industries issued by the State Administration for Environmental Protection (國家環境保護局關於加強鄉鎮企業和餐飲娛樂服務業排污收費有關問題的通知) and Regulation on Administration of the Levying and the Use of Pollutant Discharging Fees (排污費徵收使用管理條例), food and beverage service enterprises that directly discharge pollutants into a water body shall pay pollutant discharge fees according to the type and quantity of the water pollutants discharged and the standard scale of collecting pollutant discharge fees.

As of the Latest Practicable Date, the Group has paid all pollutant discharge fees required by the relevant government authorities.

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Law on Intellectual Property Rights

The period of validity of a registered trademark shall be ten years, to be counted from the date of approval of the registration under the Trademark Law of the PRC (the “Trademark Law”, 中華人民共和國商標法) amended as of October 27, 2001 and came into effect on December 1, 2001. The administrative authority for industry and commerce has the power to investigate and handle any act of infringement of the exclusive right to use a registered trademark according to laws. Where the case is so serious as to constitute a crime, it shall be transferred to the judicial authority for handling.

Laws and Regulations on Labor and Production Safety

Labor Contract Law

As of January 1, 2008, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers under the Labor Contract Law of the PRC (the “Labor Contract Law”, 中華人民共和國勞動合同法). Enterprises and institutions are forbidden to force the laborers to work beyond the time limit and the employers shall pay laborers overtime working compensation in accordance with national regulations. In addition, the labor wages shall not be lower than local standards on minimum wages and shall be paid to the laborers timely. According to the Labor Law of the PRC (中華人民共和國勞動法) effective as of January 1, 1995, enterprises and institutions shall establish and perfect its system of work place safety and sanitation, strictly abide by state rules and standards on work place safety and sanitation, educate laborers of work place safety and sanitation. Work place safety and sanitation facilities shall comply with state-fixed standards. The enterprises and institutions shall provide laborers with work place safety and sanitation conditions which are in compliance with state stipulations and relevant articles of labor protection.

Production Safety Law

According to the PRC Production Safety Law (the “Production Safety Law”, 中華人民共和國安全生產法) effective as of November 1, 2002, enterprises and institutions shall be equipped with the measures for safe production as provided in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not equipped with measures for safe production is not allowed to engage in production and business operation activities. Enterprises and institutions shall offer education and training programs to the employees thereof regarding production safety. The design, manufacture, installation, use, checking, maintenance, repair and disposal of safety equipment shall be in conformity with the national standards or industrial standards. In addition, enterprises and institutions shall provide personal protective equipments that reach the national standards or industrial standards to the employees thereof, supervise and educate them to use these equipments according to the prescribed rules.

The Group has complied with the aforementioned requirements of the Production Safety Law and no material safety accident occurred during the Track Record Period and up to the Latest Practicable Date.

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Regulations on Occupational Injury Insurance

According to the Regulations on Occupational Injury Insurance (工傷保險條例) effective as of January 1, 2004, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險暫行辦法) effective as of January 1, 1995, the Interim Regulations concerning the Levy of Social Insurance (社會保險費徵繳暫行條例) effective as of January 22, 1999, the Interim Measures concerning the Administration of the Registration of Social Insurance (社會保險登記管理暫行辦法) effective as of March 19, 1999 and the Regulations concerning the Administration of Housing Fund (住房公積金管理條例) effective as of April 3, 1999 and amended on March 24, 2002, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance, as well as housing fund and other welfare plans.

The Group has complied with relevant laws and regulations and fully paid social insurance and housing fund for our employees during the Track Record Period and up to the Latest Practicable Date.

Employment Promotion Law

According to the Employment Promotion Law of the PRC (the “Employment Promotion Law”, 中華人民共和國就業促進法) which became effective on January 1, 2008, the State seeks to create more jobs by encouraging various types of enterprises to, inter alia, expand its existing businesses. In addition, the PRC Government will establish an unemployment insurance system to secure the livelihoods of unemployed persons and assist them in finding employment. The PRC Government at and above the county level shall also establish a public employment service system and public employment service agencies to provide free services to laborers such as announcing information on supply and demand of jobs, market wage levels, vocational training and job recommendations.

The Group has complied with the Employment Promotion Law during the Track Record Period and up to the Latest Practicable Date. Please refer to the section headed “Business — Employees” for further details of the Group’s recruiting, training programs and employee retention.

Regulation on Foreign Exchange

The Foreign Exchange Administrative Regulations of the PRC (the “Foreign Exchange Administrative Regulations”, 中華人民共和國外匯管理條例), which was promulgated and implemented since April 1, 1996 and was amended with effect from August 5, 2008, forms an important legal basis for the PRC authorities to supervise and regulate foreign exchange. Under the Foreign Exchange Administrative Regulations, the foreign exchange income in the capital accounts of domestic enterprises shall be deposited, in accordance with relevant State regulations, into foreign exchange accounts opened with banks designated. Any foreign exchange payment from capital account shall, in accordance with provisions enacted by State Council foreign exchange administrative department relating to foreign exchange payments and purchases, be made out of the payer’s own foreign exchange funds on the strength of valid documents or be made with foreign exchange purchased from any financial institution engaged in foreign exchange settlement and sales business. Where an approval from the relevant foreign exchange administrative authority is required in accordance with State provisions, the relevant approval formalities shall be completed before the foreign exchange payment is made. For foreign-invested enterprises wound up in accordance with the

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relevant laws, the amount of Renminbi that belongs to the relevant foreign investor(s) after liquidation and payment of tax pursuant to relevant State provisions may be used to purchase foreign exchange from any financial institution engaged in foreign exchange settlement and sales business in order to remit it outside the PRC.

Regulation of Certain Onshore and Offshore Transactions

In October 2005, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or Circular No. 75, which became effective on November 1, 2005, and was further supplemented by an implementing notice issued by the SAFE on November 24, 2005. Circular No. 75 suspends the implementation of two prior regulations promulgated in January and April of 2005 by SAFE. Circular No. 75 states that Chinese residents, whether natural or legal persons, must register with the relevant local SAFE branch prior to establishing or taking control of an offshore entity established for the purpose of overseas equity financing involving onshore assets or equity interests held by them.

The term “Chinese legal person residents” as used in the Circular No. 75 refers to those entities with legal person status or other economic organizations established within the territory of China. The term “Chinese natural person residents” as used in the Circular No. 75 includes all Chinese citizens and all other natural persons, including foreigners, who habitually reside in China for economic benefit. The SAFE implementing notice of dated November 24, 2005 further clarifies that the term Chinese natural person residents as used under Circular No. 75 refers to those “Chinese natural person residents” defined under the relevant PRC tax laws and those natural persons who hold any interests in domestic entities classified as “domestic-funding” interests.

Chinese residents are required to complete amended registrations with the local SAFE branch upon (i) transfer of equity interests or assets of an onshore enterprise to the offshore entity, or (ii) subsequent overseas equity financing by such offshore entity. Chinese residents are also required to complete amended registrations or filing with the local SAFE branch within 30 days of any material change in the shareholding or capital of the offshore entity, such as changes in share capital, share transfers and long-term equity or debt investments, and provision of security. Chinese residents who have already incorporated or gained control of offshore entities that have made onshore investment in China before Circular No. 75 was promulgated must register their shareholding in the offshore entities with the local SAFE branch on or before March 31, 2006.

Under Circular No. 75, Chinese residents are further required to repatriate back into China all of their dividends, profits or capital gains obtained from their shareholdings in the offshore entity within 180 days of their receipt of such dividends, profits or capital gains. The registration and filing procedures under Circular No. 75 are prerequisites for other approval and registration procedures necessary for capital inflow from the offshore entity, such as inbound investments or shareholder loans, or capital outflow to the offshore entity, such as the payment of profits or dividends, liquidating distributions, equity sale proceeds, or the return of funds upon a capital reduction.

REGULATION

HONG KONG REGULATORY COMPLIANCE

There are three principal types of licenses required for the operation of our Group's restaurants in Hong Kong. They are as follows:-

- (a) a restaurant license required to be issued before commencement of business operation;
- (b) a liquor license required to be issued before commencement of the liquor selling business; and
- (c) a water pollution control license required to be issued before any discharge of trade effluents commences.

Health and Safety Regulatory Compliance

Restaurant license

Any person operating a restaurant in Hong Kong is required to obtain a restaurant license from the Food and Environmental Hygiene Department (the "FEHD") under the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong) and the Food Business Regulation (Chapter 132X of the Laws of Hong Kong) ("FBR") before commencing the restaurant business. It is provided under section 31(1) of the FBR that no person shall carry on or cause, permit or suffered to be carried on any restaurant except with a restaurant license. FEHD will consider whether certain requirements in respect of health, hygiene, ventilation, gas safety, building structure and means of escape are met before issuing a license. The FEHD will also consult the Buildings Department and the Fire Services Department in accessing the suitability of premises for use as a restaurant, where the fulfillment of the Buildings Department's structural standard and the fulfillment of the Fire Services Department's fire safety requirement are considered. The FEHD may grant provisional restaurant licenses to new applicants who have fulfilled the basic requirements in accordance with the FBR pending completion of all outstanding requirements for the issue of a full restaurant license.

A provisional restaurant license is valid for a period of six months or a lesser period and a full restaurant license is valid generally for a period of one year, both subject to payment of the prescribed license fees and continuous compliance with the requirements under the relevant legislation and regulations. A provisional restaurant license is renewable on one occasion and a full restaurant license is renewable annually.

Liquor license

For the sale of liquor in a restaurant in Hong Kong, a restaurant operator has to obtain a liquor license from the Liquor Licensing Board under the Dutiable Commodities Ordinance (Chapter 109 of the Laws of Hong Kong) ("DCO"). It is provided under section 17(3B) of the DCO that where regulations prohibit the sale or supply of any liquor except with a liquor license, no person shall sell, or advertise or expose for sale, or supply, or possess for sale or supply, liquor except with a liquor license. Regulation 25A of the Dutiable Commodities (Liquor) Regulations prohibits the sale of liquor at any premises for consumption at the place or occasion except with a liquor license. The Liquor Licensing Board will consider the fitness of the applicant to hold the license, the suitability of the premises to which the application relates in supplying intoxicating liquor and the public interest

REGULATION

before granting the liquor license. A liquor license will only be issued when the relevant premises have also been issued with a full or provisional restaurant license. A liquor license will only be valid if the relevant premises remain licensed as a restaurant. All applications for liquor licenses are referred to the Commissioner of Police and the District Officer concerned for comments.

A liquor license is valid for a period of one year or a lesser period, subject to the continuous compliance with the requirements under the relevant legislation and regulations.

With respect to our restaurants in Hong Kong, as at the Latest Practicable Date, we have obtained the restaurant licenses and liquor licenses as required for all of our restaurant operations in Hong Kong.

Environmental Regulatory Compliance

Water Pollution Control License

In respect of our restaurant operations in Hong Kong, it is necessary for each of the restaurants to obtain a water pollution control license from the Environmental Protection Department (the “EPD”) prior to any discharge of trade effluents under the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (“WPCO”).

Under sections 8(1) and 8(2) of the WPCO, a person who discharges (i) any waste or polluting matters into waters of Hong Kong in a water control zone; or (ii) any matter into any inland waters in a water control zone which tends (either directly or in combination with other matter which has entered those waters) to impede the proper flow of the water in a manner leading or likely to lead to substantial aggravation of pollution, commits an offence and where any such matter is discharged from any premises, the occupier of the premises also commits an offence. Under sections 9(1) and 9(2) of the WPCO, a person who discharges any matter into a communal sewer or communal drain into a water control zone commits an offence and where any such matter is discharged into a communal sewer or communal drain in a water control zone from any premises, the occupier of the premises also commits an offence. Under section 12(1)(b) of the WPCO, a person does not commit an offence under section 8(1), 8(2), 9(1) or 9(2) of the WPCO if the discharge or deposit in question is made under, an in accordance with, a water pollution control license. A water pollution control license will be granted with terms and conditions specifying requirements relevant to the discharge, such as the discharge location, provision of wastewater treatment facilities, maximum allowable quantity, effluent standards, self-monitoring requirements and keeping records.

A water pollution control license may be granted for a period of not less than two years and generally five years, subject to payment of the prescribed license fee and continuous compliance with the requirements under the relevant legislation and regulations. A water pollution control license is renewable.

As of the Latest Practicable Date, we have obtained water pollution control licenses for all of our restaurants in Hong Kong from the EPD.

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Based on the advice of our legal adviser as to Hong Kong laws, our Group has obtained all relevant licenses, certificates and permits and, save as disclosed under the section headed “Business — Legal Compliance — Hong Kong Regulatory Compliance” and the section headed “Summary of the Non-compliance with the Companies Ordinance” in Appendix VI to this prospectus, has complied with the applicable laws and regulations in all material aspects in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

INDUSTRY OVERVIEW

Certain information and statistics relating to our industry provided in this section have been derived from official government sources. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report, or the Euromonitor Report, prepared by Euromonitor International, or Euromonitor, for purposes of this prospectus. See “— About This Section”. We believe that the sources of the information in this “Industry Overview” section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. However, the information has not been independently verified by us, the Joint Sponsors and the Underwriters or any other party involved in the Global Offering, other than Euromonitor with respect to the information contained in the Euromonitor Report.

OVERVIEW

The consumer food service industry in China has experienced rapid growth in recent years. Economic growth, accelerating urbanization, increasing disposable income and changing consumption patterns have led to substantial growth in the consumer food service market in China. According to the Euromonitor Report, the PRC consumer food service market grew from RMB1,386 billion in 2006 to RMB2,257 billion in 2010, representing a CAGR of 13.0% during this period, and is expected to reach RMB3,724 billion by 2015, representing a CAGR of 9.9% from 2011. Within China’s consumer food service market, the sales value of Asian cuisine full-service restaurants in China amounted to approximately RMB1,613 billion in 2010, contributing approximately 99% of the total sales value of China’s full-service restaurant segment. Euromonitor forecasts that Asian cuisine full-service restaurants will continue to experience robust growth at a CAGR of 9.6% in terms of sales value from 2011 to 2015.

CHARACTERISTICS OF CHINA’S ECONOMY

We believe that the key characteristics of China’s economy that affect the full-service restaurant market include the following.

Large Population and Strong GDP Growth

With a population of over 1.3 billion, China is the most populous country in the world. China’s GDP has grown rapidly since economic reforms began in the late 1970s. In recent years, although not immune to the global economic downturn, China has experienced significantly less impact from the recent global financial crisis and a quicker recovery than many other countries in the world. According to National Bureau of Statistics, China’s GDP grew at a rate of 9.2% from 2008 to 2009. From 2009 to 2010, China’s economy continued to grow at a rate of 10.3%, reaching RMB39.8 trillion in 2010, and overtaking Japan as the world’s second largest economy behind only the United States. China’s economy not only outperformed developed economies, but also its BRIC, or Brazil-Russia-India-China, peers and most other emerging economies.

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Rapid Urbanization and Increasing Disposable Income

Rapid economic development in China has contributed to an accelerating trend towards urbanization and an increasingly affluent population. With the migration of rural population to urban areas and the transformation of towns into large cities, urbanization in China has accelerated as a result of the rapid industrialization.

As a result of China's rapid economic development, living standards have improved, as reflected in the increases in income and consumption levels of both urban and rural households. Per capita GDP in China rose by 10.6% from 2009 to 2010 to reach RMB 29,748 in 2010, and is forecasted to grow at a CAGR of 10% to 15% from 2011 to 2015. Per capita GDP at major cities such as Shanghai, Guangzhou and Beijing are currently above US\$10,000. China's per capita gross income also experienced significant growth at 11.3% and 14.9% for the urban and rural residents respectively from 2009 to 2010. Domestic demand has played an increasing role in driving GDP growth, contributing to 92% of China's 10.3% GDP growth from 2009 to 2010.

Strong Consumer Confidence and Changing Consumption Patterns

As a result of China's robust economic growth, increasing disposable income, rapid urbanization and growing income and consumption, the number and frequency of consumers dining out in China have increased. Today, dining out is not only convenient, but has also become a social event for most consumers. In addition, reflecting a faster pace of life and increasing disposable income, more consumers elect to dine out to enjoy the food and dining atmosphere with friends, family or business associates. Smaller family size and an increasing percentage of women in the workforce also contribute to growth in dining out. Chinese consumers exhibit strong confidence in economic outlook and financial security, and Euromonitor believes that consumer demand continued to be robust even during the global financial crisis.

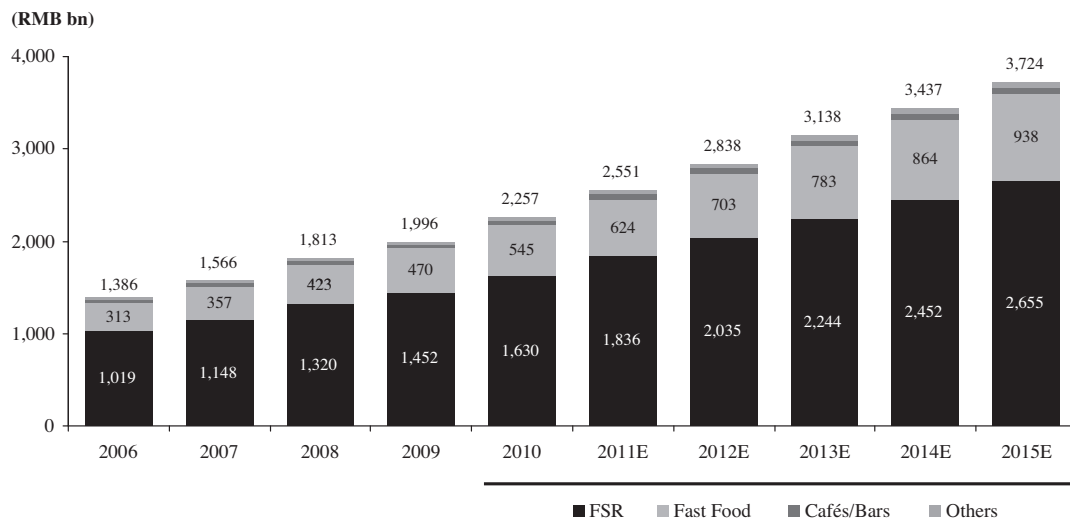
CHINA'S CONSUMER FOODSERVICE MARKET

Overview

Euromonitor has identified China's vibrant economic performance and its consumer trade-ups as the primary drivers for the steady development of its consumer foodservice industry in the foreseeable future. According to the Euromonitor Report, China's consumer foodservice market was valued at RMB2,257 billion in 2010, or an increase of 13.0% from 2009. Full-service restaurants, or FSRs, accounted for a 72% share, or RMB1,630 billion of this market in 2010. Euromonitor estimates that the overall consumer foodservice market in China would experience a CAGR of approximately 10% from 2011 to 2015. According to the Euromonitor Report, the consumer foodservice industry in China can be categorized based on restaurant formats, including cafés and bars, full-service restaurants, fast food restaurants, and others (including, among other things, home delivery, self-service cafeterias, street stalls and kiosks), or based on types of cuisine, including Asian, Western and others, as well as based on operating models, including restaurant chains and independent restaurants. The following chart sets forth China's historical consumer foodservice market size by format from 2006 to 2010 and its projected market size from 2011 to 2015.

INDUSTRY OVERVIEW

China Consumer Food Service Market by Format 2006A-2015E



Source: The Euromonitor Report

Full-Service Restaurants

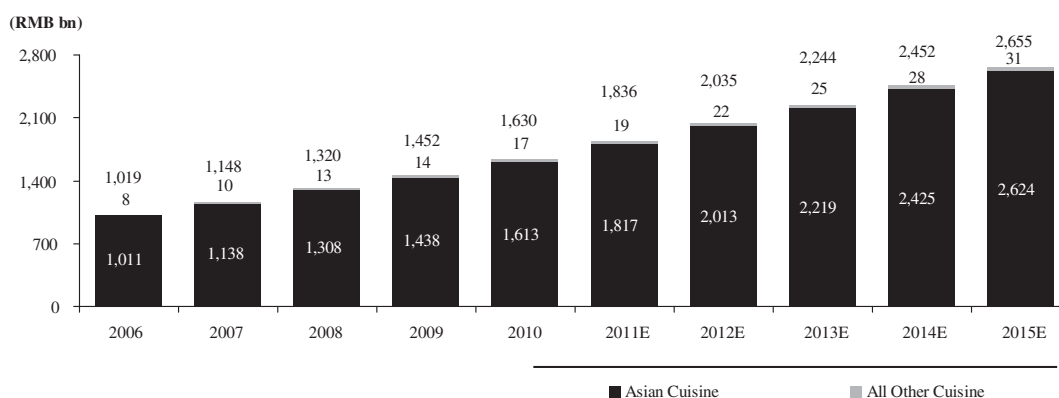
According to the Euromonitor Report, FSRs are traditional sit-down restaurants with full table service provided by waiters and the focus of the guest experience is on food rather than on drink. FSRs are characterized by table service and generally higher quality of food offerings compared to quick-service restaurants. FSRs also include à la carte, all-you-can-eat and sit-down buffets within restaurants. Customers at FSRs generally pay after consumption of food; and time spent at FSRs tends to be longer than quick-service restaurants.

According to the Euromonitor Report, FSR spending is the largest segment in terms of restaurant format, representing approximately 72.2% of the consumer foodservice spending in 2010, and is expected to remain at a high proportion of overall consumer foodservice spending in the foreseeable future. The total sales value of China's FSR segment has grown at a CAGR of 12.5% from RMB1,019 billion in 2006 to RMB1,630 billion in 2010, and is expected to continue to grow to RMB2,655 billion by 2015, representing a CAGR of 9.7% from 2011, according to the Euromonitor Report. In terms of cuisine type, Asian cuisine FSRs currently accounts for substantially all of China's FSR cuisines. Euromonitor expects Asian FSRs to continue to experience robust growth at a CAGR of 9.6% in terms of sales value from 2011 to 2015.

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The following chart sets forth the sales value of China's FSRs from 2006 to 2010 and the projected sales value from 2011 to 2015.

China Full Service Restaurant Market by Cuisine 2006A-2015E



Source: *The Euromonitor Report*

ASIAN CUISINE FSR

Euromonitor defines Asian cuisine FSRs as full-service outlets serving Chinese cuisine variants, such as noodles, dumplings, sushi or other Asian dishes and curry. According to the Euromonitor Report, the sales value of Asian cuisine FSRs in China amounted to approximately RMB1,613 billion in 2010, contributing approximately 99% of the total sales value of China's FSR segment.

Chinese cuisine FSRs account for a dominant portion of the Asian cuisine FSRs in China in terms of sales value. According to the Euromonitor Report, Chinese cuisine FSRs accounted for approximately 88% to 90% of the total sales value of Asian cuisine FSR in 2010. According to the Euromonitor Report, the dominance of Chinese cuisine FSRs is primarily attributable to (i) the general taste preference of Chinese consumers towards Chinese cuisine, (ii) generally more affordable prices of Chinese cuisine, and (iii) lower entry barriers of Chinese cuisine with respect to supply of skilled chefs, facilities and capital investment compared with other Asian cuisines. Euromonitor believes that Chinese cuisine FSRs will continue to be the dominant sector within the Asian cuisine FSRs in China.

Independent operations are predominant within China's FSR segment due to difficulties in satisfying different regional tastes throughout China. According to the Euromonitor Report, approximately 95% of China's Asian FSR outlets were independent operations in 2010. However, the market share of Asian FSR chains has continued to rise in recent years due to, (i) greater population mobility reducing regional taste barriers, (ii) increased consumer concerns over food safety issues, making branded restaurant chains the more attractive choice, (iii) the higher scalability and operational efficiency of restaurant chains compared with independent operations, and (iv) generally better access to financing by established restaurant chains compared with independent operations. According to the Euromonitor Report, these factors will continue to contribute to the further growth

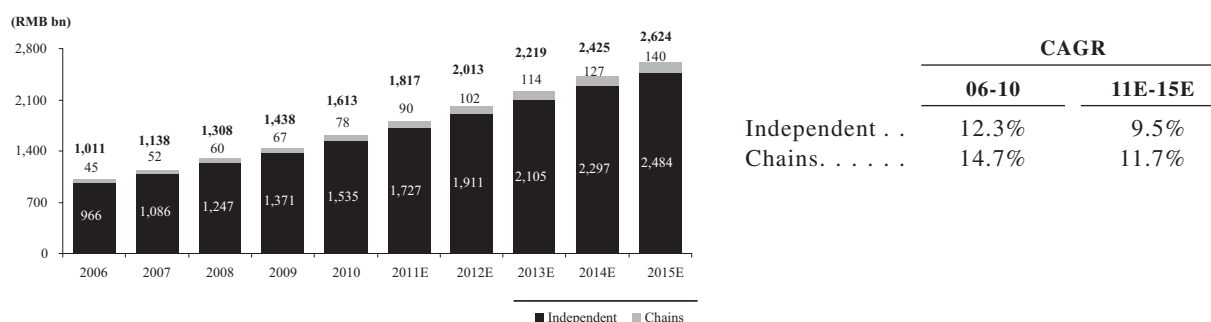
INDUSTRY OVERVIEW

of China's FSR chains. Particularly, FSR chains offering cuisines with broad consumer appeal, such as Cantonese cuisine and Shanghaiese cuisine, having an established brand reputation and access to financing, will be able to rapidly expand, capture more market share and achieve greater economies of scale. Euromonitor believes that restaurant chains with the above qualities will expand faster than the industry average of the FSR segment. For purposes of the Euromonitor Report, a "restaurant chain" is defined as restaurant operations having a minimum of 10 branded outlets.

According to the Euromonitor Report, the total sales value of Asian cuisine FSR chains grew from RMB45 billion in 2006 to RMB78 billion in 2010, representing a CAGR of approximately 15%. Euromonitor estimates that the total sales value of the Asian cuisine FSR chains would reach RMB140 billion in 2015, representing a CAGR of 12% from 2011 to 2015, compared to a CAGR of 10% for the independent Asian cuisine FSRs over the same period. Based on these estimates, Euromonitor believes that there is significant growth potential for the Asian cuisine FSR chains in the foreseeable future.

The following chart sets forth the respective sales value and growth rate of China's Asian Cuisine FSR chains and independent Asian cuisine FSRs from 2006 to 2010 and the respective projected sales value from 2011 to 2015, and the respective growth rates during these periods.

China's Asian Cuisine FSRs by Operations 2006A-2015E



Source: The Euromonitor Report

INDUSTRY OVERVIEW

Competitive Landscape for Mid- to High-end Chinese FSR Chains

Mid- to high-end Chinese cuisine FSR chains⁽¹⁾ accounted for approximately 17% of China's Asian cuisine FSR chains, or 20% of the Chinese cuisine FSR chains, in terms of 2010 sales, according to the Euromonitor Report. In general, the model of mid- to high-end Chinese cuisine FSR chains in China is at an early stage of development, with a limited number of nationwide chains in a market dominated by independent restaurant operations. The limited number of nationwide chains in this market is primarily due to (i) the greater focus on ambiance and quality of the food compared with low-end market, and (ii) the generally higher capital expenditure per restaurant compared with low-end restaurants. The coverage and scale of operations of existing mid- to high-end Chinese cuisine FSR chains are far smaller than quick-service restaurant chains and hotpot chains.

Euromonitor predicts that the mid- to high-end Chinese cuisine FSR will outgrow the overall Chinese cuisine FSR market together with the rising spending power of Chinese consumers and their increasing focus on quality of the food, especially in light of the series of highly publicized food safety issues in recent years in China. In addition, the rapidly growing Chinese economy leads to rising frequency and profile of business events, which in turn generates more demand for mid- to high-end restaurants in China. According to the Euromonitor Report, mid to high-end Chinese cuisine FSR chains with established reputation for consistent food quality and refined ambiance will be able to leverage this growth opportunity and expand their scale rapidly. The currently established mid- to high-end Chinese cuisine FSR chains have the first mover advantage of higher market awareness, relatively easier access to financing, and greater economies of scale as they continue to expand their networks. As a result, Euromonitor predicts that most of the currently established mid- to high-end Chinese cuisine FSR chains will grow even faster than the overall segment of mid- to high-end Chinese cuisine FSR chains.

Another trend identified by Euromonitor is that self-owned stores will be the preferred model for outlet expansion by mid- to high-end Chinese cuisine FSR chains. The mid- to high-end Chinese cuisine FSR chains place high requirements on food quality, cooking skills of chefs, service offering, store management and staff training, which are harder to control for franchised operations. For example, a number of the mid- to high-end Chinese cuisine FSR chains attempted to expedite the expansion of their networks by entering into franchise arrangements, but have recently switched back to focusing on development of self-owned stores to ensure quality consistency across the restaurant network. Some of the leading chain operators, including Shanghai Xiao Nan Guo, own and operate all of their outlet stores.

¹ According to the Euromonitor Report, a "mid- to high-end Chinese cuisine full-service restaurant chain" must exhibit all or substantially all of the following characteristics:

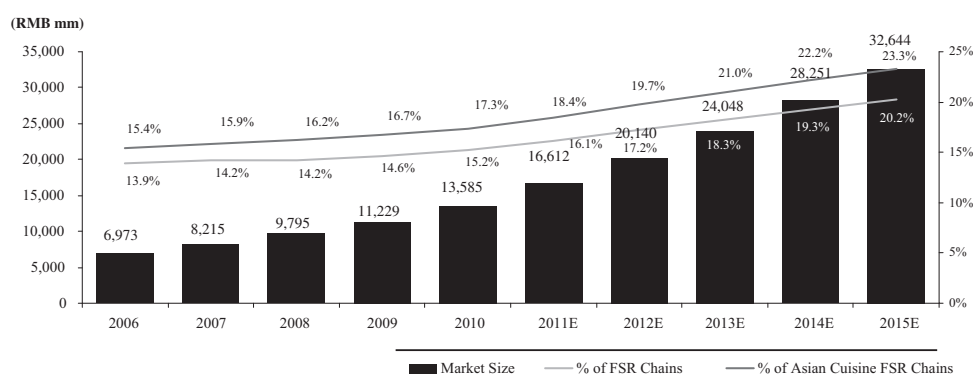
- it is an Asian full-service restaurant chain mainly serving fine Chinese cuisine, which excludes independent full-service restaurants, casual dining restaurants and hotpot restaurants, among others;
- it is mid- to high-end positioned, that is, it has an average guest check of RMB150 to RMB300 or above, and offers dishes made of premium food materials or ingredients such as abalone and sea cucumber;
- it offers sizable areas for private rooms or VIP rooms, which should account for approximately half to two-thirds of the total operational areas; and
- substantially all of its restaurant outlets are located in or in close proximity to commercial areas, CBD, premium hotels, mid- to high-end shopping malls and residential communities.

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Although the mid- to high-end Chinese cuisine FSR chains currently represent a relatively small percentage of the Asian cuisine FSR chain market and the Asian cuisine FSR market, the segment was outgrowing on a small base. Mid- to high-end Chinese cuisine FSR chains grew significantly from 2009 by 21% to RMB13.6 billion in terms of sales value in 2010. As the leading chain operators continue to increase market penetration by aggressively opening more restaurants, Euromonitor forecasts that the segment of mid- to high-end Chinese cuisine FSR chains will grow at a CAGR of 18.4% from 2011 to 2015, equivalent to a notable annual value gain of RMB3.8 billion over the coming five years. Mid- to high-end Chinese cuisine FSR chains are expected to further gain grounds on the overall Asian cuisine FSR chain sectors by increasing the share of total sales value from 17% in 2010 to more than 23% by 2015.

The following charts set forth the historical sales value of mid- to high-end Chinese cuisine FSR chains in China from 2006 to 2010 and the projected sales value from 2011 to 2015, as well as the corresponding shares of the total sales value of FSR chains and Asian cuisine FSR chains during these periods, respectively.

China's Mid- to High-end Chinese Cuisine FSR Chains 2006A-2015E



Source: The Euromonitor Report

According to the Euromonitor Report, there are only a limited number of nationwide branded Chinese cuisine FSR chains. The ten largest mid- to high-end Chinese cuisine FSR chains in China in terms of the sales value in 2009 and 2010 are (in alphabetical order) Harvest Festival (豐收日), He Ji (和記小菜), Jade Garden (蘇浙滙), Jing Ya (淨雅), Quan Ju De (全聚德), Shanghai Xiao Nan Guo (上海小南國), Shi Pu (石浦), Shun Feng (順峰), South Beauty (俏江南) and Xiang E Qing (湘鄂情). Due to regional variations in cuisine and consumer taste, leading chain operators usually exhibit strength within specific regions. Some chain operators first enter into affluent cities as their core market, and subsequently expand into surrounding regions. Shanghai Xiao Nan Guo, according to Euromonitor, is the only one of the ten largest mid- to high-end Chinese cuisine FSR chains in China that has established a significant presence in Hong Kong, by owning and operating six restaurants in Hong Kong as of December 31, 2010.

INDUSTRY OVERVIEW

Shanghai, as a major center of economy, finance and trade in China as well as the busiest port in container traffic worldwide, is the largest and most affluent and prosperous metropolis in the nation. Shanghainese people seek high-quality living, and are receptive to and can afford mid- to high-end consumer goods, including dining. According to the municipal statistic bulletin, Shanghai registered a year-on-year GDP growth of 9.9% to RMB1,687.2 billion in 2010, with personal disposable income increasing by 10.4% to RMB31,838, which was significantly higher than the national average of RMB19,109. Furthermore, according to the Euromonitor Report, Shanghai ranked highest among all Chinese cities by total sales value of the catering and restaurant industry. Shanghai is one of a selected number of cities in China that embodies characteristics of large consumption, well regulated industry practice, developed supply chain, wide range of cuisine offering and dining culture, and is a trend setter for the nation.

The following chart sets forth the number of self-owned and total (including franchised and self-owned) stores of certain leading mid- to high-end Chinese cuisine FSR chain operators identified by Euromonitor in China and in Shanghai, respectively, for the periods indicated.

Number of Self-owned and Total Stores^{(1) (2)} of Certain Leading Mid- to High-end Chinese Cuisine FSR Chain Operators⁽³⁾ in China and in Shanghai, 2009/2010

	National				Shanghai			
	Y2009		Y2010		Y2009		Y2010	
	Self-owned	Total	Self-owned	Total	Self-owned	Total	Self-owned	Total
Company A	32	40	44	52	12	12	14	14
Shanghai Xiao Nan Guo	21	21	30	30	13	13	19	19
Company B	14	23	24	29	0	2	2	2
Company C	20	77	26	85	1	2	1	2
Company D	17	17	18	18	15	15	13	13

- (1) Outlet number includes franchised outlets, club houses (e.g. Lan Club of South Beauty, Maison De L'Hui of Shanghai Xiao Nan Guo Group, Tian Cui Ting of Jade Garden), but excludes overseas stores and provisional store establishments for 2010 Shanghai Expo.
- (2) Shanghai Xiao Nan Guo owns and operates six overseas stores in Hong Kong, and Ms. Wang, a Controlling Shareholder of Shanghai Xiao Nan Guo, owns and operates one store in Japan. Company A, B and D have one to five overseas stores respectively.
- (3) Euromonitor identifies the five leading mid- to high-end Chinese cuisine FSR chains listed in the chart on the basis of (i) the existing outlet numbers and (ii) annual sales revenues in 2009 and 2010, respectively, by conducting research and interviewing relevant trade associations and some of the chain operators.

Source: Company annual report, the Euromonitor Report

With respect to the above leading chain operators in terms of self-owned outlets, Shanghai Xiao Nan Guo ranked second, with 30 self-owned outlets in China in 2010. In the Shanghai area, Shanghai Xiao Nan Guo ranked first with a total of 19 self-owned outlets in 2010. Among the above leading chain operators identified in the Euromonitor Report, Shanghai Xiao Nan Guo ranked third in terms of total outlet number nationwide in 2010. Many of the leading participants are currently aggressively expanding their outlet network, and most place great importance on self-owned outlets vis-à-vis franchised operations, particularly in key marketplaces such as Beijing and Shanghai. The leading mid- to high-end chain operators are also increasingly active in targeting the “top of the pyramid” customers by selectively opening high-profile outlets such as Lan Club under South Beauty, Maison De L'Hui under Shanghai Xiao Nan Guo and Tian Cui Ting under Jade Garden.

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Current Industry Dynamics and Drivers

We believe the key current industry dynamics and drivers include the following.

A rapidly growing segment with less intense competition

The mid- to high-end Chinese cuisine FSR chains in China are at an early stage of development, with a limited number of nationwide chains in a market dominated by independent restaurant operations. Euromonitor predicts that the mid- to high-end Chinese cuisine FSR will outgrow the overall Chinese cuisine FSR market, and the currently established mid- to high-end Chinese cuisine FSR chains, including Shanghai Xiao Nan Guo, will grow even faster. Euromonitor forecasts strong growth momentum from mid- to high-end Chinese cuisine FSR chains to capture more market share from the current predominantly independent operations.

Standardization and quality consistency

“Standardization” is a critical feature to market success for the mid- to high-end Chinese cuisine FSR chains. Establishment of central kitchens is gaining popularity among leading chain brands as it helps to ensure the quality consistency of food. As a result, consumers are able to enjoy consistent taste and comfortable dining experience at different outlets under the same brand. For operators, capitalizing on central kitchens will help them manage cost and further outlet expansion into a wider geographic coverage. Euromonitor believes that Shanghai Xiao Nan Guo, one of the leading national mid- to high-end Chinese cuisine FSR chain brands, is the spearhead among industry peers to set up central kitchens.

Rapid expansion of regional cuisine leaders

Leading participants used to focus on specific cuisine types based on their place of origin differentiated with each other. This is largely due to the fact that Chinese consumers usually command strong accustomed food habits and loyalty to local foodservice. As a result, major chain operators established market leadership in their respective regions. For example, Shanghai Xiao Nan Guo holds the leading position in Shanghai and the surrounding region, and South Beauty draws notable sales contribution from North China.

However, due to China’s accelerating urbanization and significant increase in population mobility, the market is experiencing a trend of increasingly diversified and sophisticated taste among consumers. Customers are increasingly receptive to a wider range of cuisine types. As a result, regional limitation is becoming less important. In particular, cuisine types such as Cantonese cuisine, Shanghainese cuisine (stemmed from the combined Jiangsu and Zhejiang cuisine), which are perceived healthier and higher- end, are expected to gain popularity quickly and appeal to wider consumer groups, especially among the target customers of mid- to high-end Chinese cuisine FSRs, according to the Euromonitor Report. As such, leading participants have been active in introducing new dishes with blended flavors to their menus. This does not only increase the range of their product offering, but also assist chain operators in geographical expansion and penetration. This evolving consumer trend is identified by Euromonitor to help those regional chain operators with established outlets and brand presence to develop rapidly as national leaders in the near future.

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Wealthier and increasingly discerning consumers

Chinese consumers are placing increasing importance on food safety and quality, health and wellness, cuisine flavor and tastes, as well as dining environment and service. The increasing middle-class population in China is becoming the main customer base for mid- to high-end Chinese cuisine FSR chains. According to the Euromonitor Report, China's middle-class population has grown from nearly 50 million in 2005 to over 100 million by 2008, and is mainly concentrated in affluent coastal cities and tier one and tier two cities. Compared with developed countries like Japan and the United States, the middle class in China is much younger with heavier concentration at the age range of 20 to 49, which further facilitates sustainable market growth in the future. Greater spending power has allowed Chinese consumers to be more conscious about food safety and health, and to be increasingly discerning about the brand and prestige of foodservice.

Increased eating out and the wedding boom

Family and friend gatherings, wedding banquets and business entertainment are the major customer base for mid- to high-end Chinese cuisine FSR chains. There is increased dining out for family and friend gatherings not only during the important holidays or anniversaries, but also on weekends or for ad hoc parties, largely because of increasing affluence and the importance of family in Chinese culture. Also, the faster pace of life has led young professionals to dine out and buy home delivery service from FSRs with increasing frequency. Furthermore, it has recently been a "rush" period of marriage and independent living among the first generation born under the one-child policy in China. The only child is now coming of age to have his or her wedding party, which is addressed as the most important event not only for the new couple but each family member. A lavish wedding party in high-end hotels or mid- to high-end fine dining restaurants is becoming from a plus to a necessity for many young people. Hence, average spending on wedding catering has increased significantly over the years, and in particular, in tier one and tier two cities such as Shanghai and Beijing.

Increased business dining

China's increasing commercial activities and evolving business environment significantly contribute to the growth of the mid- to high-end Chinese FSR chains. These chains provide a suitable environment for business entertainment to bridge and promote the relationship between companies or individuals, which is a critical part of business practice in China. Furthermore, the budget as well as average spending on business dining is generally higher and more stable than dining with family and friends. According to the Euromonitor Report, leading Chinese FSR chain operators have aggressively increased the operation area, or the set-up, of VIP/private rooms for business gatherings. Euromonitor expects the business entertainment sector will offer significant growth potential, especially within China's tier one metropolitan as well as the emerging commercial cities such as Suzhou and Qingdao.

INDUSTRY OVERVIEW

MAJOR MARKET TRENDS

We believe that the major market trends include the following.

Increasing Penetration into Emerging Small- and Medium-size Cities

As personal wealth spreads from China's large coastal cities to smaller cities, as well as from eastern China to western China, a number of premium and luxury consumer products, including mid- to high-end foodservice brands, have expanded aggressively into second and third tier cities to target a wider group of potential customers.

Leading mid- to high-end Chinese cuisine FSR chain operators have in recent years expanded self-owned stores to cities such as Qingdao, Shenyang, Suzhou and Dalian. Euromonitor expects this trend to continue.

Increased Market Commitment by Leading Participants

The strong growth as well as relatively high margin of the mid- to high-end Chinese FSR chains have encouraged existing brand owners to show increased commitment to further penetrate existing markets as well as enter into new markets. Leading participants have experienced growth rates of 30% to 40% in terms of total outlets and revenue from 2009 and 2010. Shanghai Xiao Nan Guo, with outlets in Hong Kong, is also the spearhead among industry peers in running overseas outlets.

In addition, the direction of capital market activities in 2009 illustrates the optimistic outlook of China's foodservice industry. Some leading mid- to high-end Chinese cuisine FSR chain operators have been gaining or likely will draw investment from private equity companies or the equity capital markets. Euromonitor believes that there will likely be an increase in new entrants tapping into the market, and these new entrants will be keen to duplicate the market success of the FSR chain operators who are focusing on the lucrative mid- to high-end segment.

Brand owners' further sales penetration and marketing efforts are expected to drive up the total sales value of the mid- to high-end Chinese cuisine FSR chains through 2015.

Increasing Selection of Premium Sites

Euromonitor predicts strong growth potential for mid- to high-end Chinese cuisine FSR chains to work with and open outlets in high-end hotels, shopping malls and central business districts, or CBD, and office buildings.

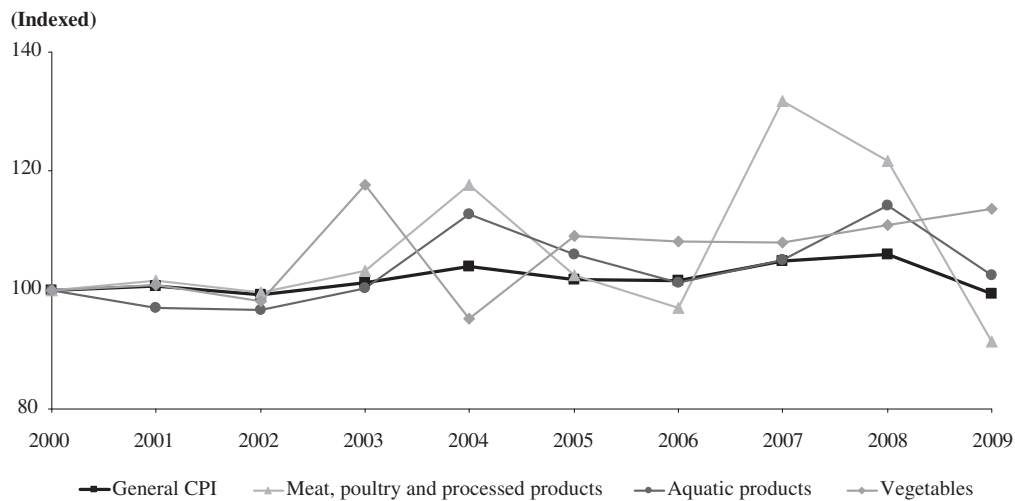
China's overall retail sales maintained double digit growth during the economic down cycles, and retail channels such as hypermarkets and supermarkets, shopping malls are continuously growing. Tourism spending on accommodation and catering grew steadily, followed by a sales increase due to the World Expo 2010 in Shanghai that attracted over 73 million visitors. Also, due to the increased commercial activities and fast development of commercial property, there is significant increase in businessmen and young professionals working in CBD areas, which offer great marketplace for business lunches or business entertainment. These channels exhibit stable traffic flow of consumers with spending power and brand awareness that best fit the position of mid- to high-end Chinese cuisine FSR chain operators. As a result, a number of the leading national chain brands have aggressively located their outlets in premium office buildings.

INDUSTRY OVERVIEW

MARKET TRENDS FOR MAJOR FOOD INGREDIENTS USED BY ASIAN CUISINE FSR

The major food ingredients used by the Asian cuisine FSRs in China primarily include, among other things, meat and poultry, seafood and vegetables. Their prices vary based on overall supply and demand as well as other factors including environmental conditions such as climate and natural disasters. The following chart sets forth the year-on-year changes of consumer price index (generally and for the major food ingredients) in the PRC from 2000 to 2009:

Consumer Price Indices in the PRC from 2000 to 2009



Source: China Statistical Yearbook 2010

ABOUT THIS SECTION

General

This “Industry Overview” section contains information extracted from the commissioned Euromonitor Report prepared by Euromonitor for the purposes of preparing this prospectus. We agreed to pay a total of RMB0.2 million to Euromonitor for the preparation and use of the Euromonitor Report.

Research Methodology

Euromonitor primarily undertook top-down central research with bottom-up intelligence with a view to presenting a comprehensive and accurate picture of the restaurant sector in China with a focus on mid- to high-end Chinese cuisine FSR chains. The following research methodologies were utilized.

Secondary research

Secondary research consisted of syndicated intelligence and company research.

INDUSTRY OVERVIEW

Syndicated intelligence

Euromonitor began with an assessment of as much relevant background information publicly available as possible through sources covering:

- specialist trade press and websites;
- authority statistics, reports and databases;
- trade associations and other semi-official sources;
- independent analysts or research groups' reports; and
- Euromonitor's Passport Consumer Foodservice system.

Company research

Where relevant, brief corporate intelligence would draw on sources such as annual reports and financial sheets published by leading participants. In addition, company research would help to identify the product/service offering, stores location, and significant investment and future plans of the reviewed chain operators.

Primary research

Euromonitor conducted qualitative and quantitative based trade interviews not identified by number of survey samples, but by the assessment of the quality of answers received, and the analysis of that data intelligently and transparently. To generate an industry consensus on the market size and growth for mid- to high-end Chinese cuisine FSR chains, Euromonitor conducted trade interviews with multiple organizations including FSR chain operators and trade associations.

Projection

Euromonitor adopts its standard practice of both quantitative and qualitative forecast in terms of market sizing, trending etc, on the basis of a comprehensive and in-depth review over the historical market development, and a cross-check with established industry figures or trade interviews.

About Euromonitor

Established in 1972, Euromonitor is a global research organization with offices in London, Chicago, Singapore, Shanghai, Vilnius, Dubai, and Cape Town. Euromonitor's mission is to build on its position as the leading provider of quality international market intelligence on consumer products, services and lifestyles. Euromonitor's policy of continuously expanding and developing its products and technologies ensures it remains at the cutting edge of information solutions. Euromonitor researches a wide range of consumer, industrial, service and business-to-business markets and remains independent and privately owned.

HISTORY AND DEVELOPMENT

OVERVIEW OF OUR HISTORY

Our Company was incorporated under the laws of the Cayman Islands on February 2, 2010 in anticipation of the Listing on the Stock Exchange and is the holding company of our Group. Immediately following our incorporation, our Company was 100% beneficially owned by Ms. Wang through China Wealth.

Over the past years, the shareholding in our Group has experienced a number of changes, as a result of which, immediately after our Pre-listing Reorganization, (i) Ms. Wang (through the Trustee and Value Boost) owns approximately 50.98% of our Shares; (ii) Shining Capital Holdings L.P. and CSI Capital, L.P., through the Pre-IPO Investors, own approximately 8.54% and 8.54% of our Shares (on an as-converted basis), respectively; (iii) Ms. Wu Wen, Mr. Kang Jie, Ms. Wang Huili and Mr. Wang Hairong, through Well Reach, Fast Glow, Expert City and Full Health, respectively, are beneficially interested in approximately 9.70%, 0.50%, 11.04% and 8.70% of our Shares, respectively, and through certain trust arrangements, Ms. Wang is entitled to exercise voting rights in the aforesaid equity interests. For details of the trust arrangements, please see section headed “— Third Restructuring”; and (iv) the remaining beneficial Shareholders, namely, Ms. Wang Zhongying and Mr. Cheung Yik Man (through Elite Land) hold approximately 2.00% of the equity interest in our Company. Based on the above, Ms. Wang is a controlling shareholder, controlling in aggregate, approximately 80.92% of the voting right of our Group immediately after our Pre-listing Reorganization. The Directors confirm that, other than the shareholding in our Company and that Ms. Wang, Ms. Wang Huili and Mr. Wang Hairong are siblings, and Ms. Wu Wen is Ms. Wang’s former sister-in-law, all the Shareholders are independent of each other. Details of the above changes are set out in the sections headed “— Our Business Development”, “— Our Corporate History” and “— Pre-IPO Investments”.

In addition, with a view to further strengthening our capital structure and expanding our business, we have, during the Track Record Period, obtained a series of pre-IPO investments from Shining Capital Holdings L.P. and CSI Capital, L.P. through their investment companies. Details of the pre-IPO investments are set out in the section headed “— Pre-IPO Investments” below.

OUR BUSINESS DEVELOPMENT

Commencement of Our Business

We trace our history to 1987 when Shanghai City Huangpu Xiao Nan Guo Restaurant (上海市黃浦區小南國飯店) was first established under the Xiao Nan Guo brand at Changsha Road, Huangpu District, Shanghai. Since the decoration and ambience of the restaurant and its neighborhood did not match the image of Shanghai Xiao Nan Guo Group as a premier mid- to high-end Chinese cuisine brand, the restaurant ceased its operation in 2008.

HISTORY AND DEVELOPMENT

Through our continuous effort, we have become one of the largest Chinese full-service restaurant chains for the mid- to high-end market segment in China, based on number of restaurants as of December 31, 2010 as well as sales value in 2010, according to Euromonitor International, an independent market research firm. The following sets forth important milestones of our restaurant business:

Business Milestones

- | | |
|------|---|
| 1987 | • Opening of the first restaurant under the Xiao Nan Guo brand |
| 1999 | • Opening of the Shanghai Xiao Nan Guo restaurant at Hong Mei Road in Shanghai, currently our largest restaurant |
| 2001 | • Opening of the first Shanghai Xiao Nan Guo restaurant in Hong Kong |
| 2002 | • Establishment of Shanghai Xiao Nan Guo Restaurant, the current holding company of our Group's subsidiaries in the PRC |
| 2005 | • Establishment of Xiao Nan Guo Holdings HK, the current holding company of our Group's subsidiaries in Hong Kong |
| 2006 | • Opening of the first Shanghai Xiao Nan Guo restaurant in Beijing |
| 2007 | • Awarded Shanghai Famous Brand (上海名牌) by Shanghai City Famous Brand Recommendation Committee (上海市名牌產品推薦委員會) (Awarded again in 2009 and 2011 by Shanghai Municipal Commission of Commerce (上海市商務委員會)) |
| 2008 | • Opening of the first Shanghai Xiao Nan Guo restaurant in Suzhou and Nanjing of Jiangsu Province, respectively |
| 2009 | • Opening of the first Shanghai Xiao Nan Guo restaurant in Dalian in Liaoning Province |
| 2010 | • Opening of the first restaurant under the brand "Maison De L'Hui" |
| | • "小南國" (Xiao Nan Guo) was recognized as a well-known trademark of China (中國馳名商標) |
| 2010 | • Opening of the first Shanghai Xiao Nan Guo restaurant in Tianjin |
| 2011 | • Opening of the first Shanghai Xiao Nan Guo restaurant in Ningbo in Zhejiang Province |

We opened 7, 6 and 11 (including 3 Maison De L'Hui restaurants and 2 temporary Shanghai Xiao Nan Guo restaurants operated during the World Expo) new restaurants in 2008, 2009 and 2010, respectively.

As of the Latest Practicable Date, we operated five central kitchens and five central warehouses, servicing our restaurant network of 47 Shanghai Xiao Nan Guo restaurants and four Maison De L'Hui restaurants, which covered some of the most affluent and fastest-growing cities in Greater China, including Shanghai, Beijing, Dalian, Suzhou, Nanjing, Tianjin, Ningbo and Hong Kong.

HISTORY AND DEVELOPMENT

OUR CORPORATE HISTORY

Establishment of Shanghai Xiao Nan Guo Restaurant

Our Group established Shanghai Xiao Nan Guo Restaurant in the PRC on April 5, 2002 with an initial registered share capital of RMB0.5 million and was held as to 70% by Ms. Wang Huili and 30% by Ms. Wang.

On March 7, 2005, Shanghai Xiao Nan Guo Group acquired 51% equity interest in Shanghai Xiao Nan Guo Restaurant from Ms. Wang Huili for a consideration of RMB 255,000. On November 20, 2007, Ms. Wang acquired 18% and 51% equity interest in Shanghai Xiao Nan Guo Restaurant from Ms. Wang Huili and Shanghai Xiao Nan Guo Group, respectively, for an aggregate consideration of RMB 345,000. On August 3, 2009, the registered share capital of Shanghai Xiao Nan Guo Restaurant was increased to RMB 30 million on a pro-rata basis among the then shareholders. Immediately before the Series A Onshore Investment, Shanghai Xiao Nan Guo Restaurant was held as to 99% by Ms. Wang and 1% by Ms. Wang Huili.

Shanghai Xiao Nan Guo Restaurant is the holding company of all the subsidiaries of our Group principally engaged in our Group's business in the PRC. Please refer to the section headed "— Pre-listing Reorganization — Table 1: subsidiaries of our Group principally engaged in our Group's business in the PRC" and the section headed "Statutory and General Information — C. Further Information about the Group's Enterprises in the PRC" in Appendix VI to this prospectus for details of all the subsidiaries incorporated in the PRC which are wholly-owned by Shanghai Xiao Nan Guo Restaurant.

Establishment of Xiao Nan Guo Holdings BVI and Xiao Nan Guo Holdings HK

On March 14, 2005, Xiao Nan Guo Holdings HK was incorporated in Hong Kong with an authorized share capital and issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and was held as to 80% by Ms. Wang and as to 20% by Ms. Wang Zhongying, an Independent Third Party. On March 13, 2008, the authorized share capital of Xiao Nan Guo Holdings HK was increased to HK\$500,000 by creation of 490,000 shares of HK\$1.00 each. In April 2008, Xiao Nan Guo Holdings HK acquired all the equity interests of four companies, namely Xiao Nan Guo Management Company Limited, Xiao Nan Guo (Causeway Bay) Management Limited, Xiao Nan Guo Management (Kowloon) Limited and Xiao Nan Guo (Kowloon Bay) Management Limited from Ms. Wang and Ms. Wang Zhongying in consideration of an additional 320,200 shares of Xiao Nan Guo Holdings HK being issued and allotted to Ms. Wang and Ms. Wang Zhongying on a pro-rata basis.

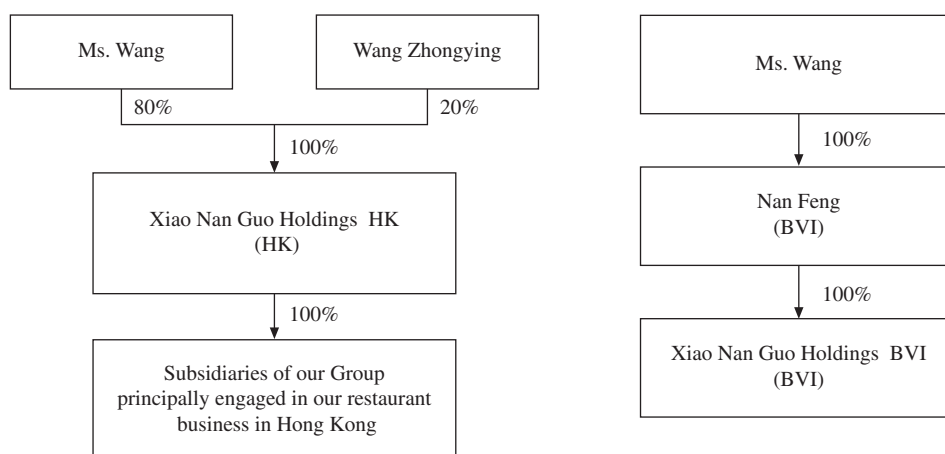
Xiao Nan Guo Holdings HK is the holding company of all the subsidiaries of our Group principally engaged in our restaurant business in Hong Kong. Please refer to the section headed "— Pre-listing Reorganization — Table 2: subsidiaries of our Group principally engaged in our Group's business in Hong Kong" and the section headed "Statutory and General Information — D. Further Information about the Group's Enterprises in Hong Kong" in Appendix VI to this prospectus for details of all the subsidiaries incorporated in Hong Kong which are wholly-owned by Xiao Nan Guo Holdings HK.

HISTORY AND DEVELOPMENT

First Restructuring

In order to optimize our Group's offshore shareholding structure, we undertook a restructuring of the ownership structure of our Group during the years from 2005 to 2008, as a result of which Xiao Nan Guo Holdings HK, the holding company of all of our Group's subsidiaries engaged in our business in Hong Kong, became a wholly-owned subsidiary of Xiao Nan Guo Holdings BVI (the "First Restructuring").

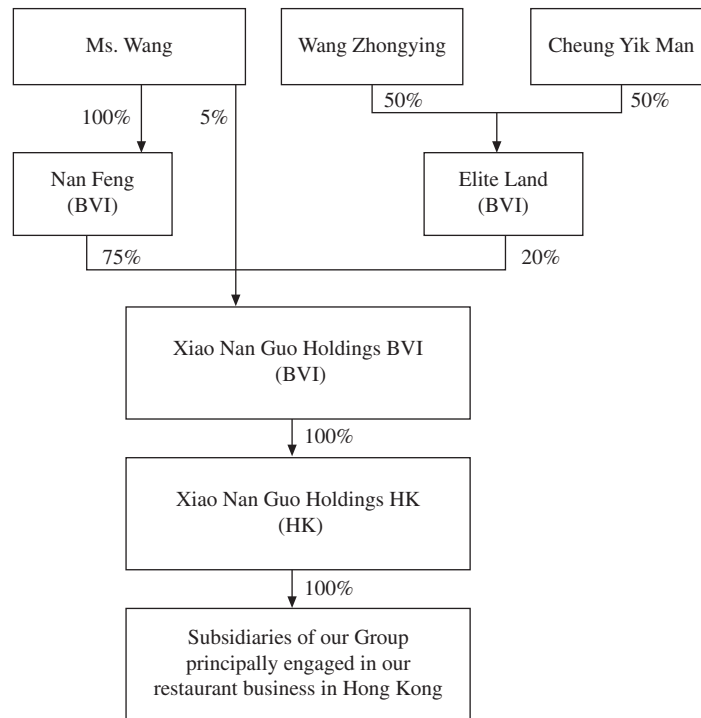
Set forth below is the corporate and shareholding structure of Xiao Nan Guo Holdings HK and Xiao Nan Guo Holdings BVI immediately before the First Restructuring:



On June 19, 2008, Ms. Wang and Ms. Wang Zhongying transferred all their respective equity interests in Xiao Nan Guo Holdings HK to Xiao Nan Guo Holdings BVI in consideration of 7,840 shares and 1,960 shares of US\$1.00 each in Xiao Nan Guo Holdings BVI. On the same day, (i) Ms. Wang Zhongying transferred all her 20% equity interests in Xiao Nan Guo Holdings BVI to Elite Land; and (ii) Xiao Nan Guo Holdings BVI allotted and issued new shares to Nan Feng, Ms. Wang and Elite Land, respectively, in exchange for Ms. Wang and Ms. Wang Zhongying's equity interests in Xiao Nan Guo Holdings HK. Immediately following completion of the First Restructuring, Xiao Nan Guo Holdings BVI was held as to 75%, 5% and 20% by Nan Feng, Ms. Wang and Elite Land, respectively.

HISTORY AND DEVELOPMENT

Set forth below is the corporate and shareholding structure of Xiao Nan Guo Holdings HK immediately after the above transactions:

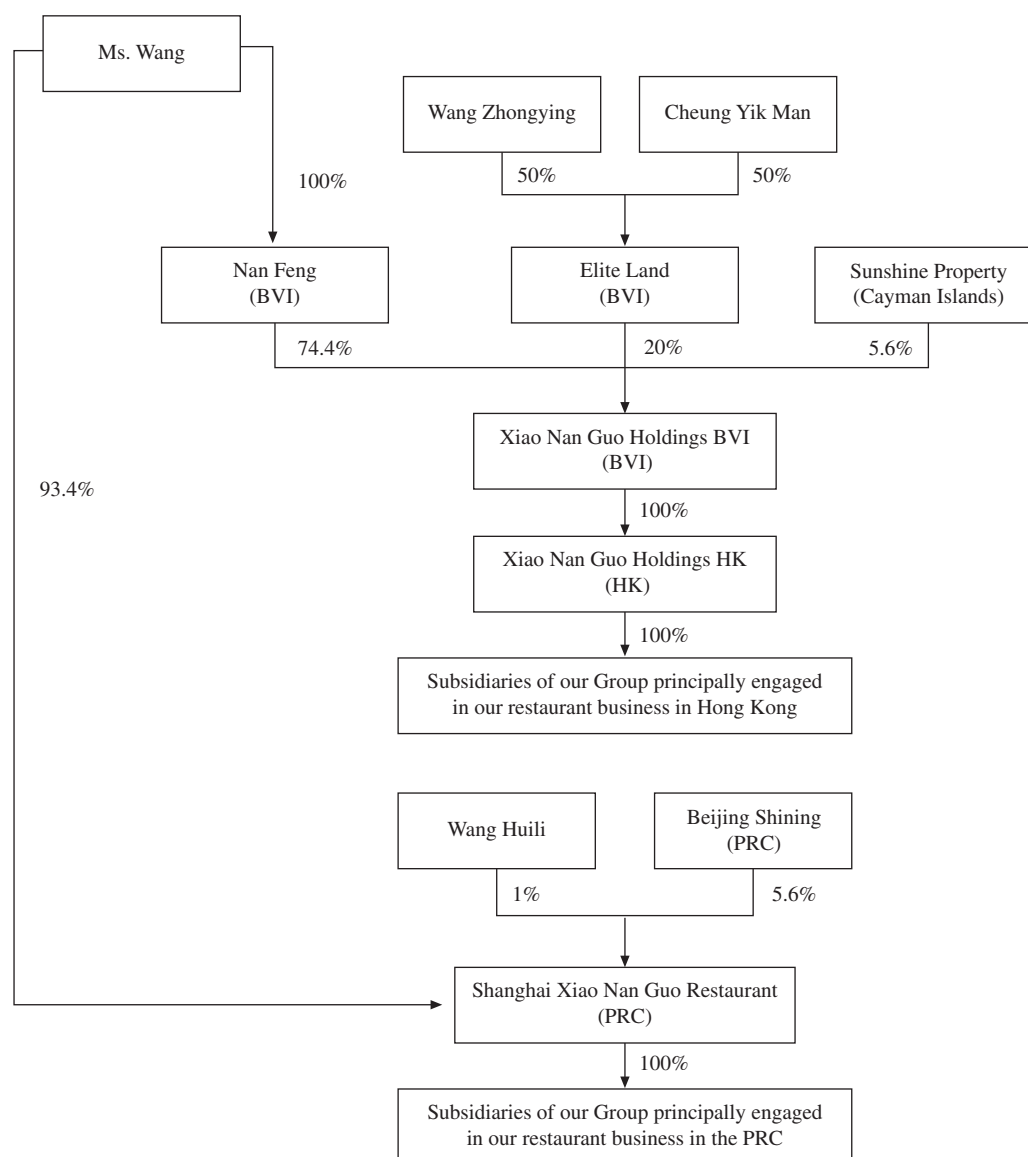


HISTORY AND DEVELOPMENT

Second Restructuring

After the completion of the Series A Offshore Investment by Sunshine Property and the Series A Onshore Investment by Beijing Shining, our Group underwent the restructuring steps set forth below (the “Second Restructuring”) to fulfill the conditions set forth under the Series B Investment. Please refer to the section headed “— Pre-IPO Investments” for details of the above-mentioned pre-IPO investments.

The following chart sets out the corporate and shareholding structure of our Group immediately after the Series A Offshore Investment and the Series A Onshore Investment and before the Second Restructuring:



Set forth below are the steps involved in the Second Restructuring:

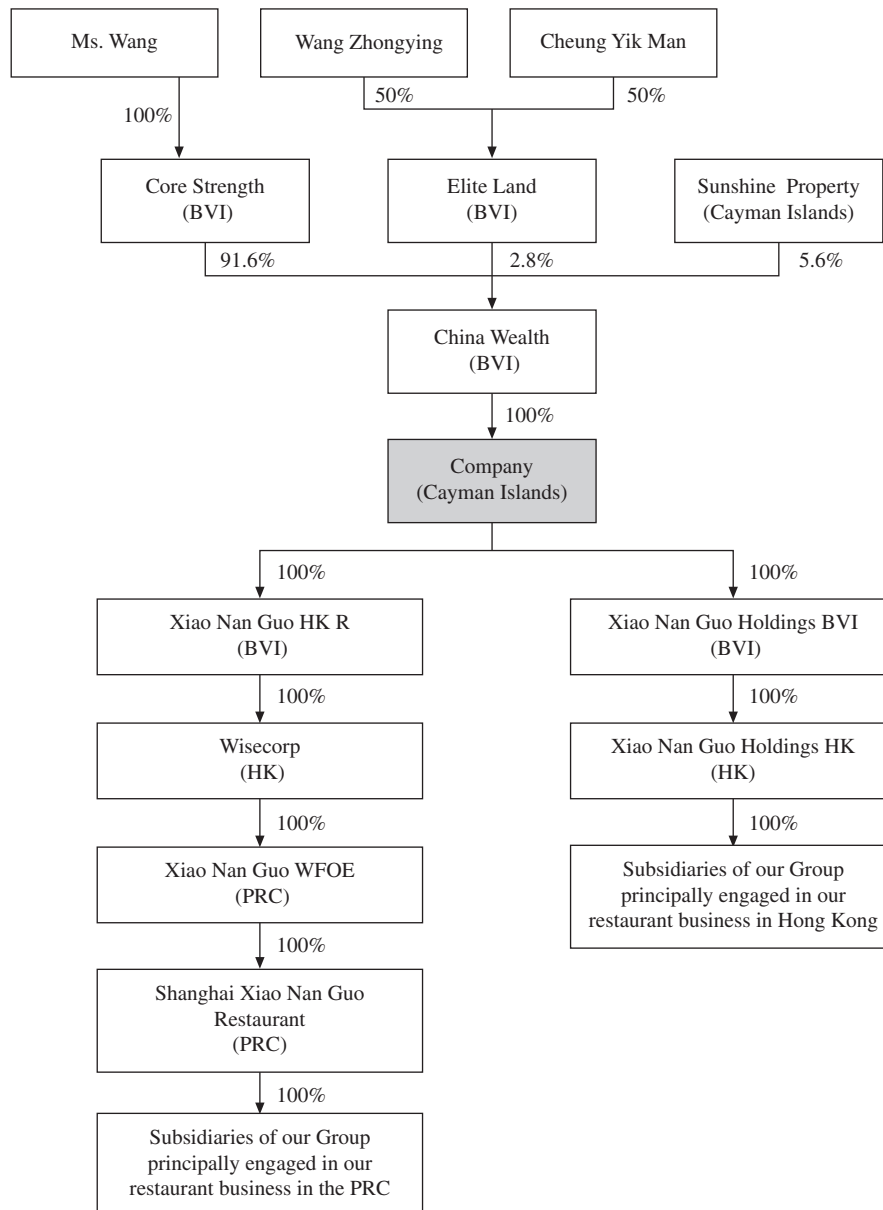
- (i) On February 2, 2010, our Company was established and was held as to 100% by Ms. Wang through her wholly-owned subsidiary, China Wealth.

HISTORY AND DEVELOPMENT

- (ii) On February 3, 2010, pursuant to a sale and purchase agreement, Xiao Nan Guo HK R, a company which was then wholly-owned by Nan Feng, acquired the entire equity interest of 5,000,000 shares of HK\$1.00 each in Wisecorp from Ms. Wang in consideration of HK\$5,000,000.
- (iii) On February 12, 2010, pursuant to a sale and purchase agreement, our Company acquired the entire equity interest of one share of US\$0.01 in Xiao Nan Guo HK R from Nan Feng in consideration of US\$0.01.
- (iv) On February 26, 2010, pursuant to three share transfer agreements, Wisecorp acquired 50%, 25% and 25% of equity interest in Xiao Nan Guo WFOE from Shanghai Hongqiao, Shanghai Rongyi and Hang Lik, respectively, in consideration of RMB 2.50 million, RMB 1.25 million and RMB1.25 million, respectively, which was determined amongst the parties by reference to the net asset value of Xiao Nan Guo WFOE as at December 31, 2009.
- (v) On March 5, 2010, pursuant to a sale and purchase agreement, Core Strength, a company wholly-owned by Ms. Wang, acquired the entire equity interest in China Wealth of 50,000 ordinary shares with no par value from Ms. Wang in consideration of US\$1.00.
- (vi) On July 5, 2010, written resolutions were passed by Core Strength, the then sole shareholder of China Wealth holding 50,000 shares of US\$1.00 each, pursuant to which (i) China Wealth repurchased 49,999 shares from Core Strength at the aggregate price of US\$0.01 to be paid in cash; and (ii) each issued and unissued share of China Wealth was sub-divided into 100 shares of US\$0.01 each and China Wealth was authorized to issue up to 5,000,000 ordinary shares of one class with a par value of US\$0.01 each.
- (vii) On July 9, 2010, pursuant to three sale and purchase agreements, Ms. Wang, Ms. Wang Huili and Beijing Shining agreed to transfer their equity interests of 93.4%, 1% and 5.6% in Shanghai Xiao Nan Guo Restaurant, respectively, to Xiao Nan Guo WFOE in consideration of RMB37,360,000, RMB400,000 and RMB2,240,000, respectively, which was determined by reference to the then net asset value of Shanghai Xiao Nan Guo Restaurant.
- (viii) On August 9, 2010, pursuant to the share subscription agreement (“Subscription Agreement”), Core Strength and Sunshine Property subscribed for 811,740 and 48,160 ordinary shares in China Wealth, representing 94.4% and 5.6% of the issued share capital of China Wealth, respectively, in consideration of RMB37,760,000 and RMB2,240,000, respectively, which was the same with the consideration they received for transferring their respective equity interests in Shanghai Xiao Nan Guo Restaurant to Xiao Nan Guo WFOE.
- (ix) On August 10, 2010, pursuant to a sale and purchase agreement, Nan Feng transferred 7,440 shares in Xiao Nan Guo Holdings BVI to our Company in consideration of the issuance of 104,160 shares in China Wealth, representing 10.416% of its entire issued share capital, to Core Strength; Elite Land transferred 2,000 shares in Xiao Nan Guo Holdings BVI to our Company in consideration of the issuance of 28,000 shares in China Wealth, representing 2.8% of its entire issued share to Elite Land; and Sunshine Property transferred 560 shares in Xiao Nan Guo Holdings BVI to our Company in consideration of the issuance of 7,840 shares in China Wealth, representing 0.784% of its entire issued share capital, to Sunshine Property.

HISTORY AND DEVELOPMENT

After completion of the above reorganization steps, our Group's corporate and shareholding structure became as follows:

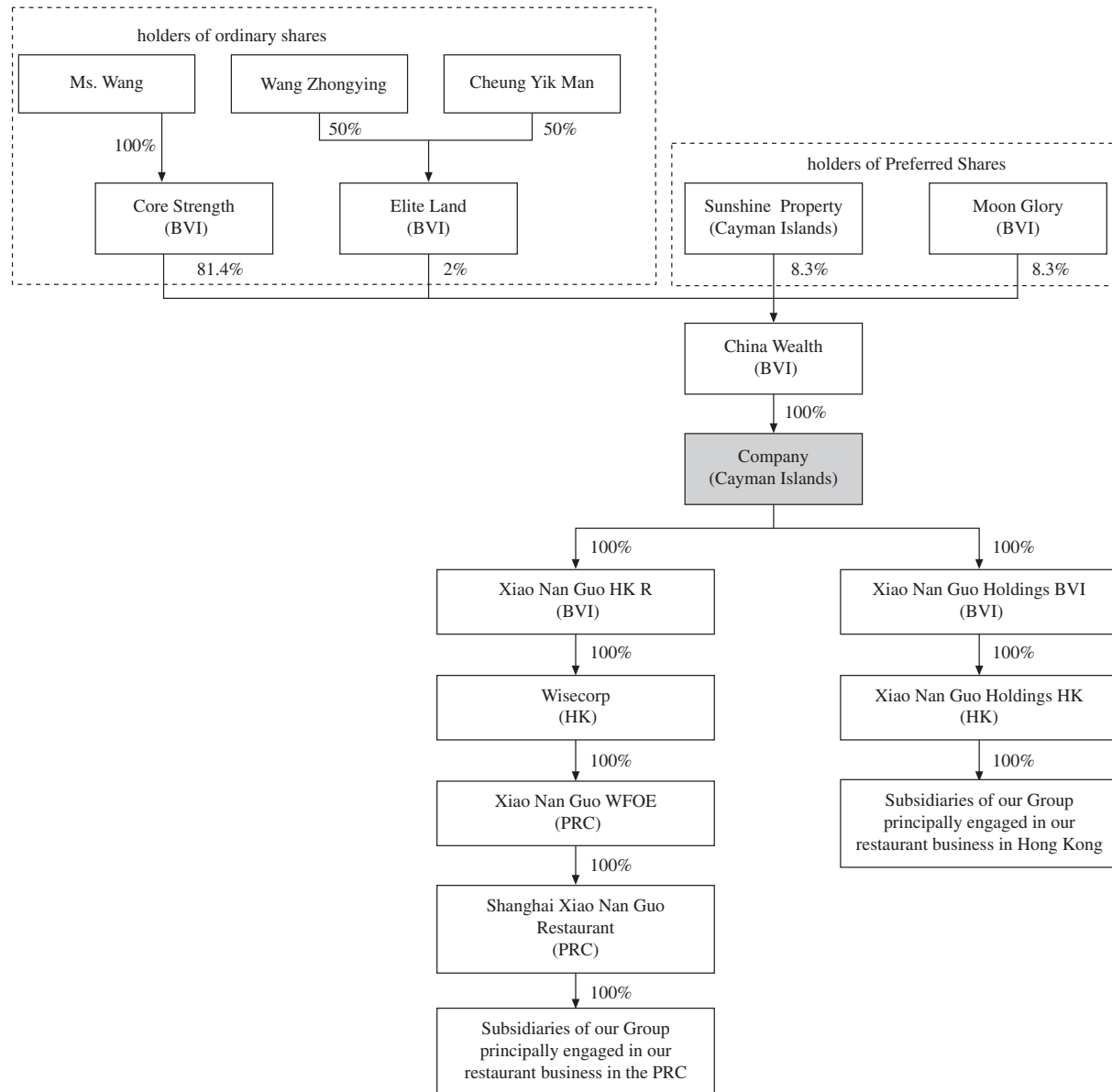


HISTORY AND DEVELOPMENT

Third Restructuring

In preparation for the Listing and shortly after the completion of the Series B Investment Agreement, our Group restructured the shareholding structure of China Wealth during the second half of 2010 (the “Third Restructuring”).

After completion of the Series B Investment Agreement and before the Third Restructuring, our Group’s corporate and shareholding structure was, on a fully-diluted basis, as follows:



HISTORY AND DEVELOPMENT

Set forth below are the steps involved in the Third Restructuring:-

- (i) On September 20, 2010, Elite Land transferred 8,000 ordinary shares in China Wealth, representing 0.8% of its issued share capital on a fully-diluted basis, to Core Strength in consideration of US\$1,190,740, which was determined based on arm's length negotiations between the parties.
- (ii) (a) On November 20, 2010, Core Strength transferred 87,013.75 ordinary shares in China Wealth, representing 8.7% of its issued share capital on a fully-diluted basis, to Full Health, a company legally owned by Ms. Wang as the trustee for the benefit of Wealth Boom. See paragraph (ii)(b) below. Wealth Boom is wholly-owned by Mr. Wang Hairong, the brother of Ms. Wang.

(b) Prior to the share transfer in paragraph (ii)(a) above, a declaration of trust was entered into between Ms. Wang and Wealth Boom, the holding company of Full Health, on November 1, 2010, pursuant to which Ms. Wang has declared herself to be nominee and trustee for the benefit of Wealth Boom of one share in Full Health, which represents the entire issued share capital of Full Health and has a par value of US\$1.00.
- (iii) (a) On November 20, 2010, Core Strength transferred 97,013.75 ordinary shares in China Wealth, representing 9.7% of its issued share capital on a fully-diluted basis, to Well Reach, a company legally owned by Ms. Wang as the trustee for the benefit of Brilliant South. See paragraph (iii)(b) below. Brilliant South is wholly-owned by Ms. Wu Wen, former sister-in-law of Ms. Wang and our executive Director.

(b) Prior to the share transfer in paragraph (iii)(a) above, a declaration of trust was entered into between Ms. Wang and Brilliant South, the holding company of Well Reach, on November 1, 2010, pursuant to which Ms. Wang has declared herself to be nominee and trustee for the benefit of Brilliant South of one share in Well Reach, which represents the entire issued share capital of Well Reach and has a par value of US\$1.00.
- (iv) (a) On November 20, 2010, Core Strength transferred 5,000 ordinary shares in China Wealth, representing 0.5% of its issued share capital on a fully-diluted basis, to Fast Glow, a company legally owned by Ms. Wang as the trustee for the benefit of Victor Merit. See paragraph (iv)(b) below. Victor Merit is wholly-owned by Mr. Kang Jie, our executive Director.

(b) Prior to the share transfer in paragraph (iv)(a) above, a declaration of trust was entered into between Ms. Wang and Victor Merit, the holding company of Fast Glow, on November 20, 2010, pursuant to which Ms. Wang has declared herself to be nominee and trustee for the benefit of Victor Merit of one share in Fast Glow, which represents the entire issued share capital of Fast Glow and has a par value of US\$1.00.

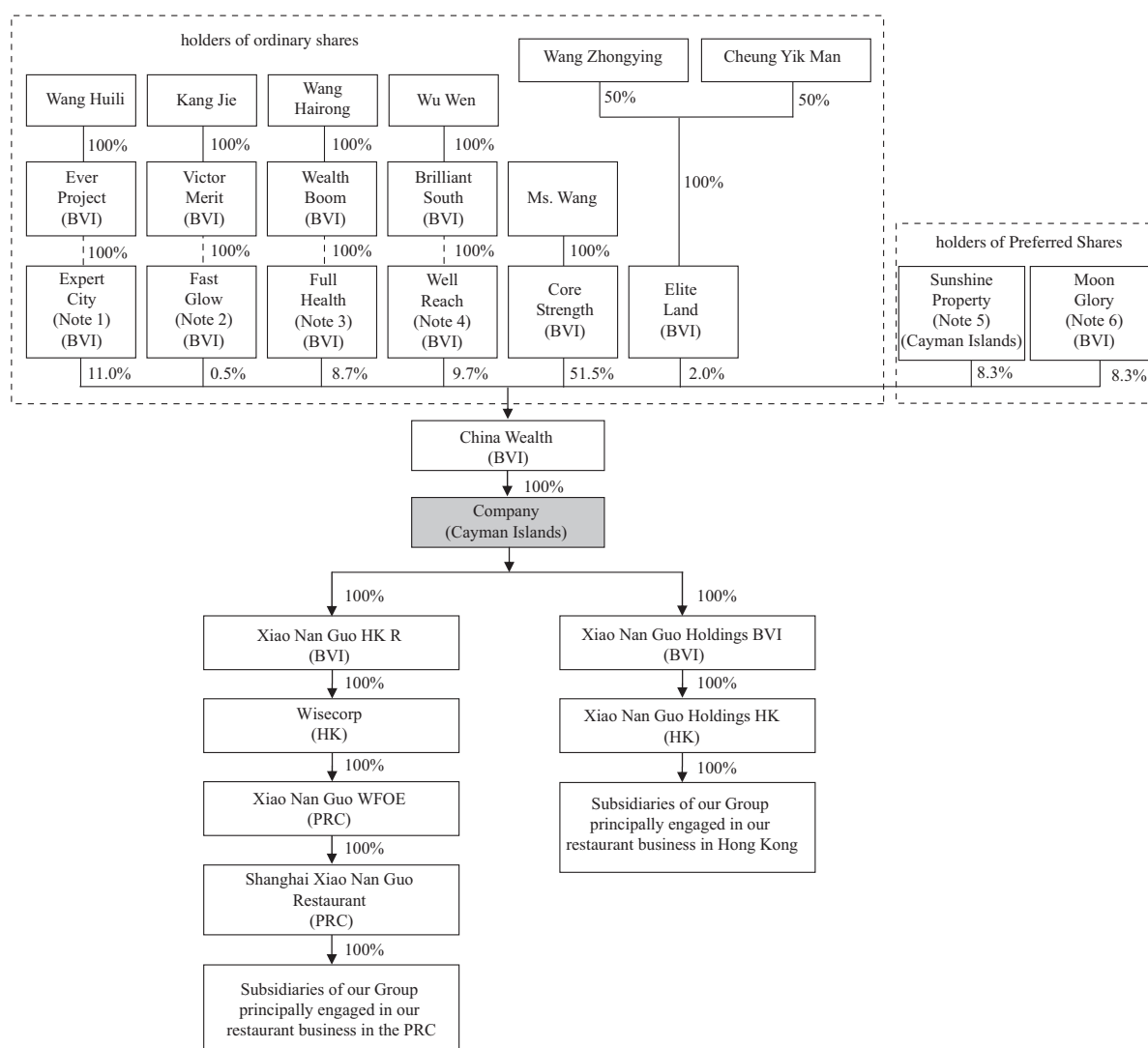
HISTORY AND DEVELOPMENT

- (v) (a) On December 15, 2010, Core Strength transferred 110,347.50 ordinary shares in China Wealth, representing 11% of its issued share capital on a fully-diluted basis, to Expert City, a company legally owned by Ms. Wang as the trustee for the benefit of Ever Project. See paragraph (v)(b) below. Ever Project is wholly-owned by Ms. Wang Huili, the younger sister of Ms. Wang and our non-executive Director.
- (b) A declaration of trust was entered into between Ms. Wang and Ever Project on December 15, 2010, pursuant to which Ms. Wang has declared herself to be nominee and trustee for the benefit of Ever Project of one share in Expert City, which represents the entire issued share capital of Expert City and has a par value of US\$1.00.

As part of family arrangement, Ms. Wang transferred the above respective percentages of her indirect equity interests (held through Core Strength) in China Wealth to Full Health, Well Reach and Expert City, which are beneficially wholly-owned by Mr. Wang Hairong, Ms. Wu Wen and Ms. Wang Huili, respectively, through the above trust arrangements. In addition, she transferred 0.5% of the issued share capital of China Wealth on a fully diluted basis to Fast Glow, which is beneficially wholly-owned by Mr. Kang Jie, as an inducement for his service to our Group as described in paragraph (iv) above. The purpose of the trust arrangements was to (i) transfer the beneficial interests of Ms. Wang in China Wealth to the above parties, and (ii) maintain Ms. Wang's control in China Wealth. Pursuant to the declarations of trusts as described above, Ms. Wang has the rights to attend, speak, cast votes (at her absolute discretion) and pass resolutions at all general meetings of Full Health, Well Reach, Fast Glow and Expert City or by way of written resolutions.

HISTORY AND DEVELOPMENT

After completion of the Third Restructuring, our Group's corporate and shareholding structure became, on a fully-diluted basis, as follows:



Note 1: Pursuant to a declaration of trust dated December 15, 2010 entered into between Ms. Wang and Ever Project, Ms. Wang is the legal owner of Expert City and is entitled to exercise the voting right of Expert City, and Ever Project is the beneficial owner of Expert City.

Note 2: Pursuant to a declaration of trust dated November 20, 2010 entered into between Ms. Wang and Victor Merit, Ms. Wang is the legal owner of Fast Glow and is entitled to exercise the voting right of Fast Glow, and Victor Merit is the beneficial owner of Fast Glow.

Note 3: Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Wealth Boom, Ms. Wang is the legal owner of Full Health and is entitled to exercise the voting right of Full Health, and Wealth Boom is the beneficial owner of Full Health.

Note 4: Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Brilliant South, Ms. Wang is the legal owner of Well Reach and is entitled to exercise the voting right of Well Reach, and Brilliant South is the beneficial owner of Well Reach.

Note 5: Pursuant to the Series B Investment, Sunshine Property is entitled to own 8.3% of the total number of shares issued by China Wealth upon conversion of the 56,000 Series A Preferred Shares and 27,000 Series B Preferred Shares.

Note 6: Pursuant to the Series B Investment, Moon Glory is entitled to own 8.3% of the total number of shares issued by China Wealth upon conversion of the 83,000 Series B Preferred Shares.

HISTORY AND DEVELOPMENT

For details of the trust arrangements in Notes 1 to 4 above, please refer to the section headed “—Third Restructuring”.

Fourth Restructuring

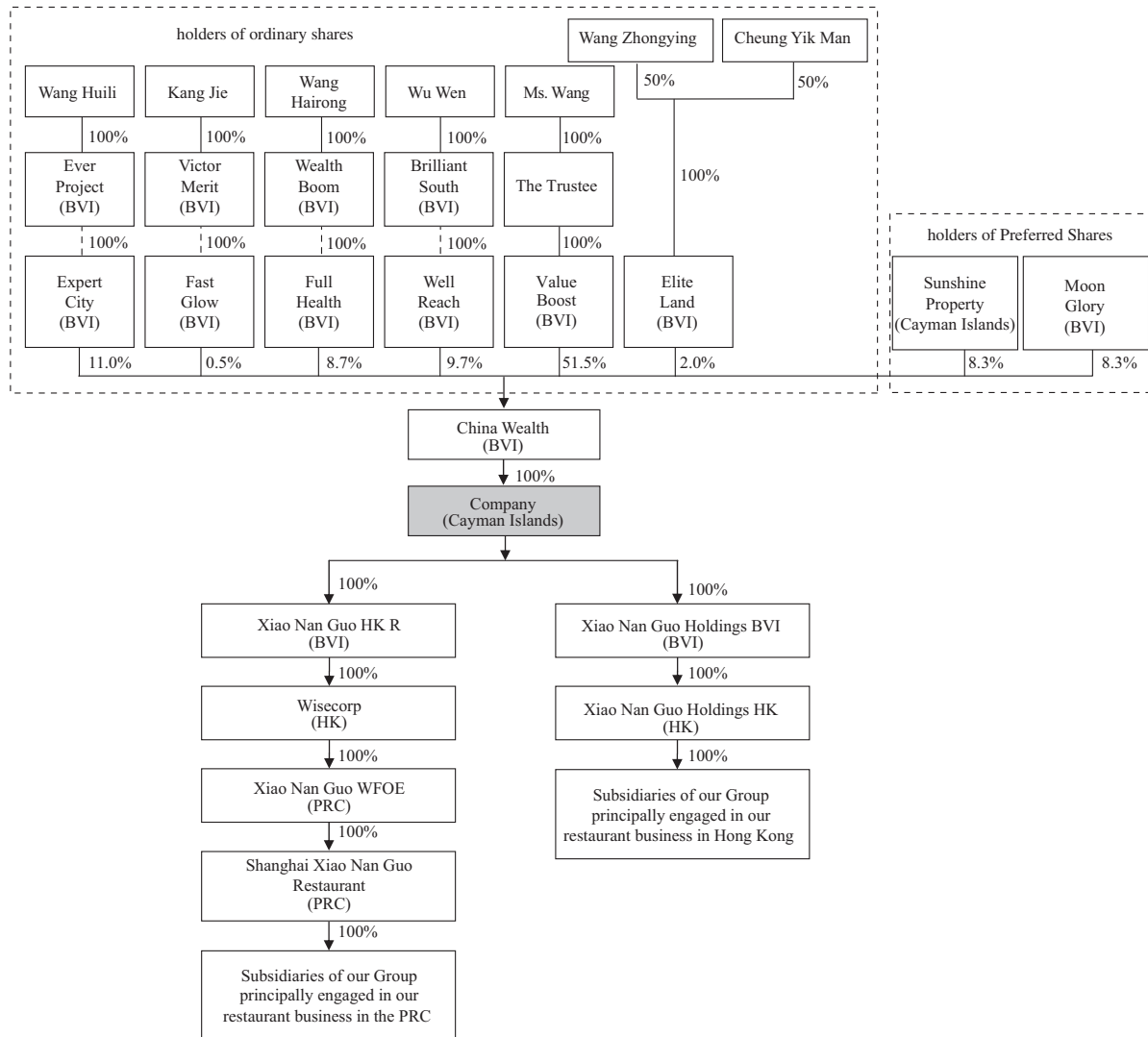
On August 27, 2011, The Wang Trust was established. At the time of establishment and up to the Latest Practicable Date, Ms. Wang (and in the event of her decease, her personal representative(s)) was the only beneficiary. It is currently intended that the family members of Ms. Wang may become beneficiaries of The Wang Trust through entering into deeds of appointment after the Listing, and The Wang Trust will, at that time, be automatically converted into a discretionary trust.

The trustee of The Wang Trust is currently the Trustee. Ms. Wang is currently the sole legal and beneficial owner, the sole director and the only person controlling the voting right of the Trustee.

On August 27, 2011, the Trustee acquired Value Boost and Core Strength transferred all its interests in China Wealth to Value Boost. Value Boost agreed to be bound by the Series B Shareholders’ Agreement pursuant to a deed of adherence that was entered into between Value Boost and the existing shareholders of China Wealth on August 27, 2011. Thereafter, the Trustee through Value Boost has an indirect interest of approximately 51.5% in the issued share capital of our Company (the “Fourth Restructuring”).

HISTORY AND DEVELOPMENT

Set out below is our Group's corporate and shareholding structure, on a fully-diluted basis, after the completion of the Fourth Restructuring:



HISTORY AND DEVELOPMENT

PRE-IPO INVESTMENTS

Series A Offshore Investment and Series A Onshore Investment

On May 22, 2008, an investment agreement (“First Series A Offshore Investment”) was entered into between Ms. Wang, Sunshine Property and Xiao Nan Guo Holdings BVI, pursuant to which Ms. Wang agreed to transfer to Sunshine Property 500 ordinary shares in Xiao Nan Guo Holdings BVI of US\$1.00 each, representing 5% of its then issued share capital indirectly held by Ms. Wang through Nan Feng, in consideration of US\$1,524,777 (equivalent to approximately RMB10.6 million) which was determined based on arm’s length negotiation between the parties.

On May 22, 2008, an investment agreement (“Lao Niu Agreement”) was also entered into between Ms. Wang and Lao Niu Development Investment Co., Ltd. (老牛創業投資發展有限公司) (“Lao Niu”), an Independent Third Party, pursuant to which Ms. Wang agreed to transfer 5% of the then equity interests in Shanghai Xiao Nan Guo Restaurant to Lao Niu in consideration of RMB39.4 million, determined based on arm’s length negotiation between the parties. Lao Niu and Sunshine Property were co-investors in several investment projects, and there are a few common directors in these two parties. The Lao Niu Agreement was entered into in anticipation that the shares of the relevant company in our Group would be listed in the PRC. In or about August 2009, it came to the knowledge of Lao Niu that our Group had decided to list its shares in Hong Kong instead of in the PRC. Given that Lao Niu is a domestic company and would be subject to certain restrictions under the PRC laws if it invests in companies proposing to have their shares listed offshore, Lao Niu decided to terminate the Lao Niu Agreement. On August 26, 2009, the parties to the Lao Niu Agreement entered into an agreement to terminate and release each other from their obligations in the Lao Niu Agreement.

In place of Lao Niu, Sunshine Property decided to acquire 5.6% equity interests in Shanghai Xiao Nan Guo Restaurant, and an additional 0.6% equity interests in Xiao Nan Guo Holdings BVI provided that Xiao Nan Guo Holdings BVI became the holding company of our Group’s restaurant business in Hong Kong.

To achieve the above purposes, on August 26, 2009, Ms. Wang, Sunshine Property and Xiao Nan Guo Holdings BVI entered into a side agreement (“Side Agreement”), pursuant to which Ms. Wang agreed to transfer to Sunshine Property an aggregate of 5.6% equity interests in Xiao Nan Guo Holdings BVI indirectly held by Ms. Wang through Nan Feng, in consideration of RMB34.4 million (on top of the US\$1,524,777 paid pursuant to the First Series A Offshore Investment), which was determined based on arm’s length negotiation and the valuation of Xiao Nan Guo Holdings BVI as the holding company of our Group’s restaurant business in Hong Kong. The relevant consideration in relation to the Side Agreement was fully settled on August 27, 2009 and the transaction was duly completed on January 1, 2010. On December 30, 2009, Ms. Wang and Beijing Shining entered into a share transfer agreement, pursuant to which Ms. Wang agreed to transfer 5.6% of her equity interests in Shanghai Xiao Nan Guo Restaurant to Beijing Shining in consideration of RMB5 million, which was determined based on the then net asset value of Shanghai Xiao Nan Guo Restaurant. The consideration was fully settled on August 27, 2009, and the transaction was duly completed on January 6, 2010.

The above respective investments into our Group’s PRC and Hong Kong operations represent essentially one overarching transaction. On May 22, 2008, the consideration for the acquisition of 5% in Xiao Nan Guo Holdings BVI by Sunshine Property, approximately RMB10.6 million, plus the consideration for the intended but later aborted acquisition of 5% equity interest in Shanghai Xiao Nan

HISTORY AND DEVELOPMENT

Guo Restaurant by Lao Niu, approximately RMB39.4 million, would have amounted to RMB50 million in total. The above aggregate consideration is the same as the aggregate of the considerations for the acquisition of 5.6% in Xiao Nan Guo Holdings BVI by Sunshine Property, approximately RMB34.4 million plus RMB10.6 million, and 5.6% in Shanghai Xiao Nan Guo Restaurant by Beijing Shining, approximately RMB5 million, respectively, in 2009.

In relation to the series of acquisitions occurred in 2009, Sunshine Property acquired an extra 0.6% in Xiao Nan Guo Holdings BVI and Beijing Shining acquired an extra 0.6% in Shanghai Xiao Nan Guo Restaurant, although the aggregate consideration was the same as that in the series of acquisitions agreed to on May 22, 2008, because the parties had taken into consideration the economic crisis in 2009 when they were negotiating the acquisitions in 2009.

Our Company's PRC legal adviser is of the opinion that the Group would not be subject to any liabilities (including taxes) in relation to the Series A Onshore Investment.

After the Series A Offshore Investment, the recorded shareholding structure of Xiao Nan Guo Holdings BVI was as follows:

<u>Name</u>	<u>Percentage of shareholding in Xiao Nan Guo Holdings BVI</u>
Nan Feng	74.4%
Elite Land	20.0%
Sunshine Property	5.6%

After the Series A Onshore Investment, the recorded shareholding structure of Shanghai Xiao Nan Guo Restaurant was as follows:

<u>Name</u>	<u>Percentage of shareholding in Shanghai Xiao Nan Guo Restaurant</u>
Ms. Wang	93.4%
Ms. Wang Huili	1%
Beijing Shining	5.6%

Please see the section headed “— Our Corporate History — Second Restructuring” for the corporate and shareholding structure of the Group immediately after the Series A Offshore Investment and the Series A Onshore Investment.

Pursuant to the shareholders' agreement dated May 22, 2008 entered in connection to the Series A Offshore Investment (“Series A Offshore Shareholders' Agreement”) and the shareholders' agreement dated August 26, 2009 entered in connection to the Series A Onshore Investment (“Series A Onshore Shareholders' Agreement”) (together with other agreements entered in connection with the Series A Offshore Investment and Series A Onshore Investment, the “Series A Investment Agreements”), Sunshine Property and Beijing Shining have not appointed any director into the board of Xiao Nan Guo Holdings BVI or Shanghai Xiao Nan Guo Restaurant. Each of Sunshine Property and Beijing Shining has only appointed an observer to attend all the board meetings of Xiao Nan Guo Holdings BVI and Shanghai Xiao Nan Guo Restaurant, respectively, and has set out certain obligations of Ms. Wang in relation to the management, operation and financial performance of the two companies and their respective subsidiaries, which included a profit guarantee undertaking to Sunshine Property and Beijing Shining.

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Xiao Nan Guo Holdings BVI and Shanghai Xiao Nan Guo Restaurant were able to meet the profit guarantee for the year ended December 31, 2008 as agreed under the Series A Offshore Shareholders' Agreement and the Series A Onshore Shareholders' Agreement. Pursuant to the terms and conditions of the Series A Onshore Shareholders' Agreement, since Beijing Shining was no longer a shareholder of Shanghai Xiao Nan Guo Restaurant after its share disposal as mentioned in paragraph (vii) under the section headed “— Our Corporate History — Second Restructuring”, the Series A Onshore Shareholders' Agreement had been terminated and no longer has any binding effect on the parties thereto.

Series B Investment by the Pre-IPO Investors

To facilitate the transfer by Core Strength of its equity interests in China Wealth to the Pre-IPO Investors, Ms. Wang, Core Strength, China Wealth and the Pre-IPO Investors entered in the Series B Investment Agreement on June 29, 2010, pursuant to which (i) CSI Capital, L.P. through Moon Glory agreed to subscribe for 83,000 Series B Preferred Shares in consideration of US\$13,446,000 and Sunshine Property agreed to subscribe for 27,000 Series B Preferred Shares in consideration of US\$4,374,000 (i.e., US\$17,820,000 in aggregate), and (ii) China Wealth agreed to redeem 110,000 ordinary shares from Core Strength in consideration of US\$17,820,000. The Series B Investment Agreement also required China Wealth to, immediately before completion of the Series B Investment, repurchase from Sunshine Property 56,000 ordinary shares, which shall be cancelled upon repurchase, in consideration of 56,000 Series A Preferred Shares to be issued to Sunshine Property. The Series B Investment was duly completed on September 3, 2010 and the relevant consideration was fully settled on the same date.

Incidental to the Series B Investment Agreement, the parties entered into Series B Shareholders' Agreement, pursuant to which Sunshine Property and Moon Glory had each appointed a director to the board of China Wealth and had set out further obligations of Core Strength and Ms. Wang in relation to the management, operation and financial performance of China Wealth and their respective subsidiaries. Please see the section headed “— Principal Terms of the Series B Pre-IPO Investment” for more details.

The 83,000 and 27,000 Series B Preferred Shares held by Moon Glory and Sunshine Property respectively may be converted into 83,000 and 27,000 ordinary shares of China Wealth, representing 8.3% and 2.7% of its issued shares, respectively. The 56,000 Series A Preferred Shares held by Sunshine Property may be converted into 56,000 ordinary shares of China Wealth, representing 5.6% of its issued shares. The number of ordinary shares issued by China Wealth was subject to adjustment pursuant to any share subdivision, combination, split, recapitalization or reclassification or changes in the conversion price.

The valuation of this investment represents a discount ranging from 25.8% to 51.6% to the valuation of our Company upon the Listing, based on the low and high end of the indicative Offer Price range set forth on the cover page of this prospectus, respectively.

After the Series B Investment by Moon Glory and Sunshine Property which occurred after the Second Restructuring (as mentioned above), the recorded shareholding structure of China Wealth was as follows:

Name	Percentage of shareholding in China Wealth
Core Strength	80.6%
Elite Land	2.8%
Sunshine Property	5.6% (Series A Preferred Shares on an as-converted basis) 2.7% (Series B Preferred Shares on an as-converted basis)
Moon Glory	8.3% (Series B Preferred Shares on an as-converted basis)

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Please refer to the section headed “— Our Corporate History — Third Restructuring” for the corporate and shareholding structure of the Group immediately after the completion of the Series B Investment Agreement.

On June 29, 2010, the parties to the Series A Investment Agreement, including Xiao Nan Guo Holdings BVI, Shanghai Xiao Nan Guo Restaurant, Sunshine Property, Beijing Shining, Ms. Wang and China Wealth, entered into an agreement pursuant to which Sunshine Property and Beijing Shining agreed to waive all of their respective rights under the Series A Investment Agreements to the extent necessary to implement (a) the Second Restructuring and (b) the Series B Investment Agreements.

Principal Terms of the Series B Pre-IPO Investment

Pursuant to the (i) Series B Investment Agreement; and (ii) Series B Shareholders’ Agreement (collectively, the “Series B Pre-IPO Investment Agreements”), the Pre-IPO Investors have, among others, the following rights and obligations (together, the “Rights”) under the Series B Pre-IPO Investment.

Automatic conversion of preference shares into ordinary shares of China Wealth upon a Qualified IPO

According to the terms of the Series B Pre-IPO Investment Agreements, immediately prior to the completion of a Qualified IPO (as defined below), each outstanding Series A Preferred Share and Series B Preferred Share issued pursuant to the Series B Investment Agreement shall be automatically converted, with no further action required to be taken by China Wealth or the holder thereof, into the number of fully paid and nonassessable ordinary shares of China Wealth which is equal to the quotient of (x) the original issuance price, US\$128.29 per Series A Preferred Share or US\$162.00 per Series B Preferred Shares, as adjusted for any reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split, combination or other similar changes in China Wealth’s capital structure, divided by (y) the conversion price then in effect, being initially US\$128.29 per Series A Preferred Share or US\$162.00 per Series B Preferred Share, subject to adjustment as provided in a specified adjustment mechanism.

For the purpose of the Series B Pre-IPO Investment Agreements and the Supplemental Agreement, a Qualified IPO is an initial public offering by the Company of its ordinary shares on the Shanghai Stock Exchange, Shenzhen Stock Exchange, the Stock Exchange (main board), the New York Stock Exchange, the NASDAQ National Market or another internationally recognized stock exchange agreed by the parties to the Series B Pre-IPO Investment Agreements on or before May 31, 2013 in compliance with applicable laws and stock exchange rules.

Call Options Right

Under the Series B Pre-IPO Investment Agreements, each of Sunshine Property and Moon Glory has the option to require Ms. Wang to sell to China Wealth all of her equity interests in (i) WHM Japan Co., Ltd., in which Ms. Wang uses the Xiao Nan Guo brand name in her restaurant business in Japan; and (ii) Shanghai Xin Di, in which Ms. Wang uses the “Xiao Nan Guo Da Wei Lai (小南國大味來)” brand name in her restaurant business in China, in each case at a consideration equal to the cost of investment by Ms. Wang in each of the businesses plus any shareholder loan owed by each of the

HISTORY AND DEVELOPMENT

above-mentioned companies to Ms. Wang as of the date immediately prior to the date on which the notice is sent to Ms. Wang and China Wealth. Please see the section headed “Relationship with Controlling Shareholders — Delineation of our Business from the Excluded Businesses” for details of the above-mentioned businesses.

Transfer Restrictions

Pursuant to the Series B Pre-IPO Investment Agreements and the amended and restated articles of association of China Wealth dated August 25, 2010 (“2010 China Wealth Articles”), without prejudice to the right of first offer, Core Strength shall not, prior to the completion of a Qualified IPO, directly or indirectly, transfer any equity securities exceeding 10% on a fully-diluted basis of the ordinary shares of China Wealth held by Core Strength as of September 3, 2010.

Right of First Offer

Pursuant to the Series B Pre-IPO Investment Agreements and the 2010 China Wealth Articles, if Core Strength intends to transfer any ordinary shares of China Wealth held by Core Strength to any third-party transferee, each of Moon Glory and Sunshine Property shall have a right of first offer to purchase all or a portion of the ordinary shares of China Wealth to be transferred (“Offered Shares”) at the same price and under the same material terms and conditions with those agreed to between Core Strength and the third-party transferee. Each of Moon Glory and Sunshine Property shall have the right to purchase such proportion of the Offered Shares as its Pro Rata Share (as defined below) bears to the aggregate Pro Rata Shares of both Moon Glory and Sunshine Property. Pro Rata Share means, with respect of each of Moon Glory and Sunshine Property, the proportion that the number of ordinary share of China Wealth held by such shareholder bears to the aggregate number of the ordinary shares of China Wealth held by Core Strength, Moon Glory and China Wealth, in each case on an as-converted but otherwise non-diluted basis. In the event that any of Moon Glory and Sunshine Property declines or waives its right of first offer, the other Pre-IPO Investor electing to exercise its right of first offer shall have the right to purchase all or a portion of the Offered Shares allocated to the declining Pre-IPO Investor.

Dividends Right

Under the Series B Pre-IPO Investment Agreements, if China Wealth declares and pays any distribution of assets in specie, including any issuance of securities, cash dividend or distribution of any kind (“Capital Distribution”) on the ordinary shares of China Wealth, the holders of the Series B Preferred Shares shall be entitled to participate on a pro rata basis in such Capital Distribution concurrently with the holders of the Series A Preferred Shares and ordinary shares of China Wealth, as if both Series A Preferred Shares and Series B Preferred Shares had been converted into ordinary shares of China Wealth immediately prior to the record date for such Capital Distribution.

Anti-dilution Right

Pursuant to the Series B Pre-IPO Investment Agreements and the 2010 China Wealth Articles, China Wealth shall not issue any securities of any type or class to any person unless it has offered each of its shareholders, including Moon Glory and Sunshine Property, the right to purchase such pro rata share of such securities and the right to oversubscribe if any other shareholder elects not to purchase its pro rata share of such securities for a per unit consideration equal to that to be paid by the proposed recipient and otherwise on the same terms and conditions offered to the proposed recipient.

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Right of Sale

Pursuant to the Series B Shareholders' Agreement and the Supplemental Agreement, in the event that our Company decides to include a secondary sale tranche in the Listing, our Company, Core Strength and Ms. Wang shall use their respective reasonable efforts to cooperate with each of Moon Glory and Sunshine Property so that they will be able to sell at least one-third of their respective securities in the Company immediately prior to the Listing.

Redemption Right

Pursuant to the Series B Pre-IPO Investment Agreements, the parties thereto agreed that, upon successful completion of the Series B Investment Agreement, China Wealth would redeem 110,000 ordinary shares from Core Strength at US\$17,820,000 in total, which was determined with reference to the consideration paid by Moon Glory and Sunshine Property under the Series B Investment Agreement. On September 3, 2010, China Wealth redeemed 110,000 ordinary shares from Core Strength.

It was further agreed under the Series B Pre-IPO Investment Agreements that if a Qualified IPO does not occur by May 31, 2013, each of Moon Glory and Sunshine Property shall have the right to require China Wealth and Core Strength to redeem and/or purchase, and Core Strength and Ms. Wang shall take all necessary actions to effect such redemption or purchase of, all or a portion of the equity securities in China Wealth held by such Pre-IPO Investor at a price agreed among the parties.

Warrant Right

Under the Series B Shareholders' Agreement, if (i) a Qualified IPO has not been completed by December 31, 2011; and (ii) the net profit of China Wealth and its subsidiaries for the year ending December 31, 2011, calculated in accordance with IFRS (the "2011 Audited Net Profit") is lower than the 2010 Audited Net Profit (as defined below), each of Moon Glory and Sunshine Property shall have the right to request Core Strength to sell 2% of the total number of shares issued by China Wealth as of the date of exercise on an as converted but otherwise non-diluted basis to each of them, at a price equal to 2% of the outcome of the 2011 Audited Net Profit multiplied by 10.5. In the event that Moon Glory or Sunshine Property fails to exercise or waives its warrant right, such Pre-IPO Investor's warrant right shall automatically be transferred to the other Pre-IPO Investor.

Other Rights

Under the Series B Pre-IPO Investment Agreements, Moon Glory and Sunshine Property have also been granted various other rights, such as voting rights, board representation rights and information and inspection rights.

Share Adjustment Right

Under Series B Shareholders' Agreement, it was agreed amongst the parties thereto that, in the event the consolidated net profit of China Wealth and its subsidiaries for the year ended December 31, 2010, calculated in accordance with IFRS (the "2010 Audited Net Profit"), is less than an agreed sum

HISTORY AND DEVELOPMENT

(the “Agreed Sum”), Core Strength shall transfer to each of Moon Glory and Sunshine Property certain percentage (“N”) of Series B Preferred Shares, which is calculated by reference to the following formula:-

$N = (Y / X - 1) \times Z$, where

X = the 2010 Audited Net Profit in RMB

Y = the Agreed Sum; and

Z = 8.3% with respect to Moon Glory and 2.7% with respect to Sunshine Property,

provided that N shall not be greater than (i) 11.7% in any event with respect to Moon Glory and (ii) 3.8% in any event with respect to Sunshine Property (the “Adjustment Limitation”).

The Agreed Sum was set forth in the Series B Shareholders’ Agreement on September 3, 2010 as an estimate of our Group’s 2010 Audited Net Profit. Our actual 2010 Audited Net Profit was less than the Agreed Sum, primarily because our Company did not have a sufficient track record for assessing the performance of our Maison De L’Hui restaurants when the Agreed Sum was fixed. Our first Maison De L’Hui restaurant only commenced operation in June 2010. Save for the above, our Company has no record for failing to meet any of its estimated sales or profit target. As some of our Maison De L’Hui restaurants have been operating for more than a year as of the Latest Practicable Date, the historical performance of these restaurants would provide relevant information for our Company to forecast the future performance of our Maison De L’Hui restaurants.

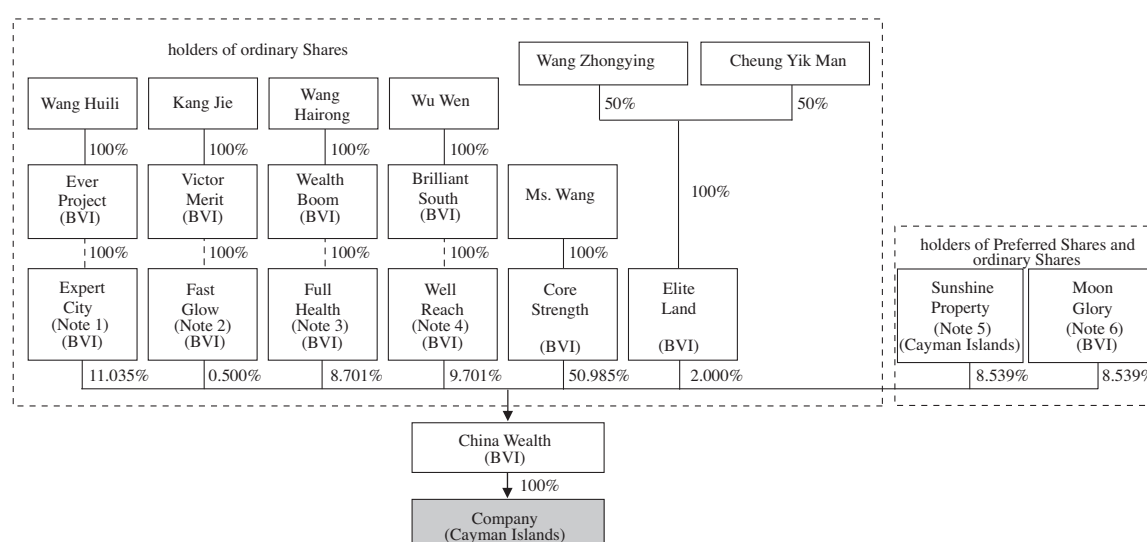
Due to the reasons above, our Directors consider that the shortfall of our actual 2010 Audited Net Profit is a single and independent incident and is not indicative of China Wealth or our Group’s lack of ability to meet the relevant estimated or target sales, guest traffic and profits/losses for the new restaurants to be opened in the future. As such, we believe the shortfall does not have any implication on the feasibility of the proposed expansion of our Group in the future.

Since the 2010 Audited Net Profit was less than the Agreed Sum, China Wealth had received notices from each of Moon Glory and Sunshine Property that they would like to exercise their rights to acquire the agreed Series B Preferred Shares from Core Strength. Based on the above-mentioned pre-determined formula in the Series B Shareholders’ Agreement, Moon Glory should have received more shares than Sunshine Property. However, the two Pre-IPO Investors intend to maintain the same level of shareholdings in China Wealth after the adjustment; therefore, Moon Glory agreed to receive cash payment in lieu of certain number of shares that it is entitled to under the Series B Shareholders’ Agreement. To facilitate the above arrangement, the same parties to the Series B Shareholders’ Agreement, after friendly negotiation, entered into a Share Adjustment Agreement, pursuant to which (i) Sunshine Property agreed to receive 2,387 Series B Preferred Shares and Moon Glory agreed to receive 2,387 Series B Preferred Shares, and (ii) Moon Glory agreed to receive a cash payment from Ms. Wang, as full and final settlement of their respective Share Adjustment Rights. The number of Series B Preferred Shares acquired by Sunshine Property and Moon Glory represents approximately 0.239% and 0.239% of the total ordinary shares of China Wealth (on an as-converted basis), respectively.

HISTORY AND DEVELOPMENT

The Pre-IPO Investors are entitled to receive Series B Preferred Shares under the Series B Shareholders' Agreement, but Core Strength only holds ordinary shares in China Wealth. On May 11, 2011, Core Strength exchanged its 4,774 fully paid ordinary shares in China Wealth for the same number of Series B Preferred Shares, and transferred 2,387 Series B Preferred Shares to each of Moon Glory and Sunshine Property pursuant to the Share Adjustment Agreement. On May 25, 2011, Ms. Wang, through one of her wholly-owned companies, paid the agreed cash amount to Moon Glory in full and final settlement of the Share Adjustment Agreement.

In relation to the shareholding structure of the Group immediately before the share adjustments, please refer to the shareholding structure of the Group under the section headed “— Our Corporate History — Third Restructuring”. On May 11, 2011, the share adjustment based on the Share Adjustment Agreement was completed, and as a result, the shareholding structure of China Wealth was as follows:



Note 1: Pursuant to a declaration of trust dated December 15, 2010 entered into between Ms. Wang and Ever Project, Ms. Wang is the legal owner of Expert City and is entitled to exercise the voting right of Expert City, and Ever Project is the beneficial owner of Expert City.

Note 2: Pursuant to a declaration of trust dated November 20, 2010 entered into between Ms. Wang and Victor Merit, Ms. Wang is the legal owner of Fast Glow and is entitled to exercise the voting right of Fast Glow, and Victor Merit is the beneficial owner of Fast Glow.

Note 3: Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Wealth Boom, Ms. Wang is the legal owner of Full Health and is entitled to exercise the voting right of Full Health, and Wealth Boom is the beneficial owner of Full Health.

Note 4: Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Brilliant South, Ms. Wang is the legal owner of Well Reach and is entitled to exercise the voting right of Well Reach, and Brilliant South is the beneficial owner of Well Reach.

Note 5: Pursuant to the Series B Investment Agreement and the Share Adjustment Agreement, Sunshine Property is entitled to own 8.539% of the total number of shares issued by China Wealth upon conversion of the 56,000 Series A Preferred Shares, the 27,000 Series B Preferred Shares and the 2,387 Series B Preferred Shares in China Wealth acquired from Core Strength pursuant to the Share Adjustment Agreement.

Note 6: Pursuant to the Series B Investment Agreement and the Share Adjustment Agreement, Moon Glory is entitled to own 8.539% of the total number of shares issued by China Wealth upon conversion of the 83,000 Series B Preferred Shares and the 2,387 Series B Preferred Shares in China Wealth acquired from Core Strength pursuant to the Share Adjustment Agreement.

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For details of the trust arrangements in Notes 1 to 4 above, please refer to the section headed “— Our Corporate History — Third Restructuring” in this section.

With respect to the Series B Pre-IPO Investment Agreement, pursuant to the Share Adjustment Agreement, Moon Glory and Sunshine Property have already exercised their respective share adjustment rights as disclosed in the above. Moon Glory and Sunshine Property confirmed in the Supplemental Agreement that they will only be entitled to retain, before the Qualified IPO, (i) their respective rights to receive Capital Distribution as disclosed in the section headed “— Dividends Right”; and (ii) their respective rights to sell Shares as disclosed in the section headed “— Right of Sale” before the Qualified IPO. None of the rights (including the Rights) under the Series B Investment Agreement and Series B Shareholders’ Agreement will be retained by Sunshine Property and Moon Glory after the Qualified IPO.

Description of Our Pre-IPO Investors

Sunshine Property

Sunshine Property is a company incorporated under the laws of the Cayman Islands on December 7, 2007 and is wholly-owned by Shining Capital Holdings L.P.. Shining Capital Holdings L.P. is an exempted limited partnership registered under the laws of the Cayman Islands on December 28, 2007 focusing on public and private investments. Other than Sunshine Property’s investment in our Company and Mr. Weng Xiangwei’s directorship in our Company, Sunshine Property is independent of and not connected with the Directors, senior management or substantial Shareholders of our Company or any of our subsidiaries or any of their respective associates.

Moon Glory

Moon Glory is a company incorporated under the laws of the BVI on March 31, 2010 and is wholly-owned by CSI Capital, L.P., an exempted limited partnership registered under the laws of Cayman Islands on March 31, 2009, which is a private equity fund focusing on private equity investments in China with limited partners mainly comprising of institutional investors. Other than Moon Glory’s investment in our Company and Mr. Tang Donald Wei’s directorship in our Group, Moon Glory is independent of and not connected with the Directors, senior management or substantial Shareholders of our Company or any of our subsidiaries or any of their respective associates.

HISTORY AND DEVELOPMENT

The following table provides a summary of the key features of the Series A Offshore Investment, the Series A Onshore Investment and the Series B Investment:

	Name of Pre-IPO Investors	
	Sunshine Property/Beijing Shining	Moon Glory
Series of investment	Series A Offshore Investment Series A Onshore Investment Series B Investment	Series B Investment
Date of investment	Series A Offshore Investment: August 26, 2009 Series A Onshore Investment: December 30, 2009 Series B Investment: June 29, 2010	June 29, 2010
Amount of considerations paid	Series A Offshore Investment: RMB34.4 million + US\$1,524,777 (approximately RMB 10.6 million) for 5.6% in Xiao Nan Guo Holdings BVI and Series A Onshore Investment: RMB5 million for 5.6% in Shanghai Xiao Nan Guo Restaurant (through Beijing Shining) Series B Investment: US\$4,373,000 (for 2.7% in China Wealth)	US\$13,446,000
Payment date of considerations	Series A Offshore Investment: August 27, 2009 Series A Onshore Investment: August 27, 2009 Series B Investment: September 3, 2010	September 3, 2010
Discount to IPO price	35.5% to 51.6% using the lowest and highest end of the indicative Offer Price range	25.8% to 44.4% using the lowest and highest end of the indicative Offer Price range
Purpose of the pre-IPO investment	Purpose of Series A Offshore Investment, was for Nan Feng to transfer the equity interests it held in Xiao Nan Guo Holdings BVI to Sunshine Property. Purpose of Series A Onshore Investment was for Ms. Wang to transfer her equity interests in Shanghai Xiao Nan Guo to Beijing Shining Purpose of Series B Investment was for Core Strength to transfer its equity interests in China Wealth to Sunshine Property, one of the Pre-IPO Investors	Purpose of Series B Investment was for Core Strength to transfer its equity interests in China Wealth to Moon Glory, one of the Pre-IPO Investors
Shareholding in the Company upon Listing	6.396%	6.396%

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RELEVANT PRC REGULATORY REQUIREMENTS

Our PRC legal adviser, confirms that the Group's restructuring in between 2005 and 2010 is in compliance with all rules and required procedures in accordance with the PRC laws.

SAFE Registration

The SAFE issued a public notice in October 2005, or the SAFE Circular No. 75, requiring PRC residents to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with the assets or equities of the PRC companies, referred to in the SAFE Circular No. 75 as special purpose vehicles ("SPVs"). PRC residents who are shareholders of SPVs established before November 1, 2005 were required to register with the local SAFE branch before March 31, 2006. Further PRC residents are required to file amendments to their registrations with the local SAFE branch if their SPVs undergo a material event involving changes in capital, such as changes in share capital, mergers and acquisitions, share transfers or exchanges, spin-off transactions or long-term equity or debt investments.

Our PRC legal adviser advises us that Ms. Wang, being the relevant beneficial shareholder of our Group, is the domestic resident in the PRC and has completed her foreign exchange registration of overseas investments at the Shanghai Branch of SAFE.

M&A Rules

On August 8, 2006, six PRC Governmental and regulatory agencies, including the Ministry of Commerce and the China Securities Regulatory Commission ("CSRC"), promulgated the Regulation on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules") which became effective on September 8, 2006 and was revised on June 22, 2009. Pursuant to the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of the Ministry of Commerce of the PRC; and the M&A Rules require an offshore special purpose vehicle formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals should obtain the approval of the CSRC prior to the Listing and trading of the securities of such offshore special purpose vehicle on an overseas stock exchange.

Xiao Nan Guo WFOE was established on September 15, 2004 as a sino-foreign venture. As Xiao Nan Guo WFOE was established before the M&A Rules became effective, the acquisition of Xiao Nan Guo WFOE by Wisecorp and the acquisition of Shanghai Xiao Nan Guo Restaurant by Xiao Nan Guo WFOE during the Second Restructuring would not be subject to the M&A Rules due to the general principle of non-retrospective application of law and by reference to the Guidance Handbook for the Administration of Foreign Investment (2008 edition) 《外商投資准入管理指引手冊》(2008年版) issued by the Foreign Investment Branch under the Ministry of Commerce (商務部外資司) ("Guidance"). Pursuant to the Guidance, where a domestic individual person transferred his/her equity stake in a foreign investment enterprise established before the M&A Rules became effective, to an offshore company which he/she lawfully established or controls, the takeover does not need to adhere

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to the M&A Rules, irrespective of whether there exists any connected relationship between the domestic individual person and the offshore company and whether the offshore company is owned by the original domestic individual person or any new investor. In any event, since Xiao Nan Guo WFOE is a foreign-invested enterprise, which is not an offshore company under the PRC laws, the transfer of the equity interest in Xiao Nan Guo WFOE does not fall under the provision in relation to the acquisition of a domestic non-foreign-invested enterprise by a foreign investor through an offshore company in the M&A Rules, and thus the M&A Rules does not apply to the acquisition of Shanghai Xiao Nan Guo Restaurant by Xiao Nan Guo WFOE. Our PRC legal adviser, is of the opinion that since Xiao Nan Guo WFOE was established prior to the effective date of the M&A Rules, it should instead carry out the formalities for changes in equity interest in accordance with Certain Regulations on Changes in Equity Interest of Investors in Foreign Investment Enterprises 《外商投資企業投資者股權變更的若干規定》 promulgated on May 28, 1997, and the formalities had already been completed on June 23, 2010.

As the operations of Shanghai Xiao Nan Guo Restaurant does not fall under the restricted category in the “Catalogue for the Guidance of Foreign Investment (Amended in 2007)” 《外商投資產業指導目錄 (2007年修訂)》, Xiao Nan Guo WFOE, being a foreign-invested enterprise, may invest in the relevant area without the need of obtaining approval from the foreign investment authority of the place where it is located. Xiao Nan Guo WFOE was only required to file the relevant documents at the relevant registry and apply for a change of registration for its acquisition of 100% equity interest in Shanghai Xiao Nan Guo Restaurant in accordance with relevant regulations, including the “Regulations on Administration of Registration of Companies” 《公司登記管理條例》.

In light of the above, the Company’s PRC legal adviser is of the opinion that the M&A Rules were not applicable to the Second Restructuring, and coupled with the fact that Xiao Nan Guo WFOE had at all times been operating in the restaurant business when it acquired Shanghai Xiao Nan Guo Restaurant, such acquisition could not be viewed as an arrangement to circumvent the approval requirements under the M&A Rules. Our Company’s PRC legal adviser has further confirmed that all required approvals and filings in connection with the Second Restructuring have been obtained from relevant PRC government authorities or have duly completed, the Second Restructuring has complied with all relevant PRC laws and regulations, and therefore the risk that the Second Restructuring would be subject to challenge or investigation by the PRC government authorities after the Listing is very low. In addition, we consulted the competent PRC authorities in July 2011, which issued written confirmation that the acquisition of Xiao Nan Guo WFOE by Wisecorp and the acquisition of Shanghai Xiao Nan Guo Restaurant by Xiao Nan Guo WFOE during the Second Restructuring had duly obtained all approvals and completed all filings required under the PRC laws.

HISTORY AND DEVELOPMENT

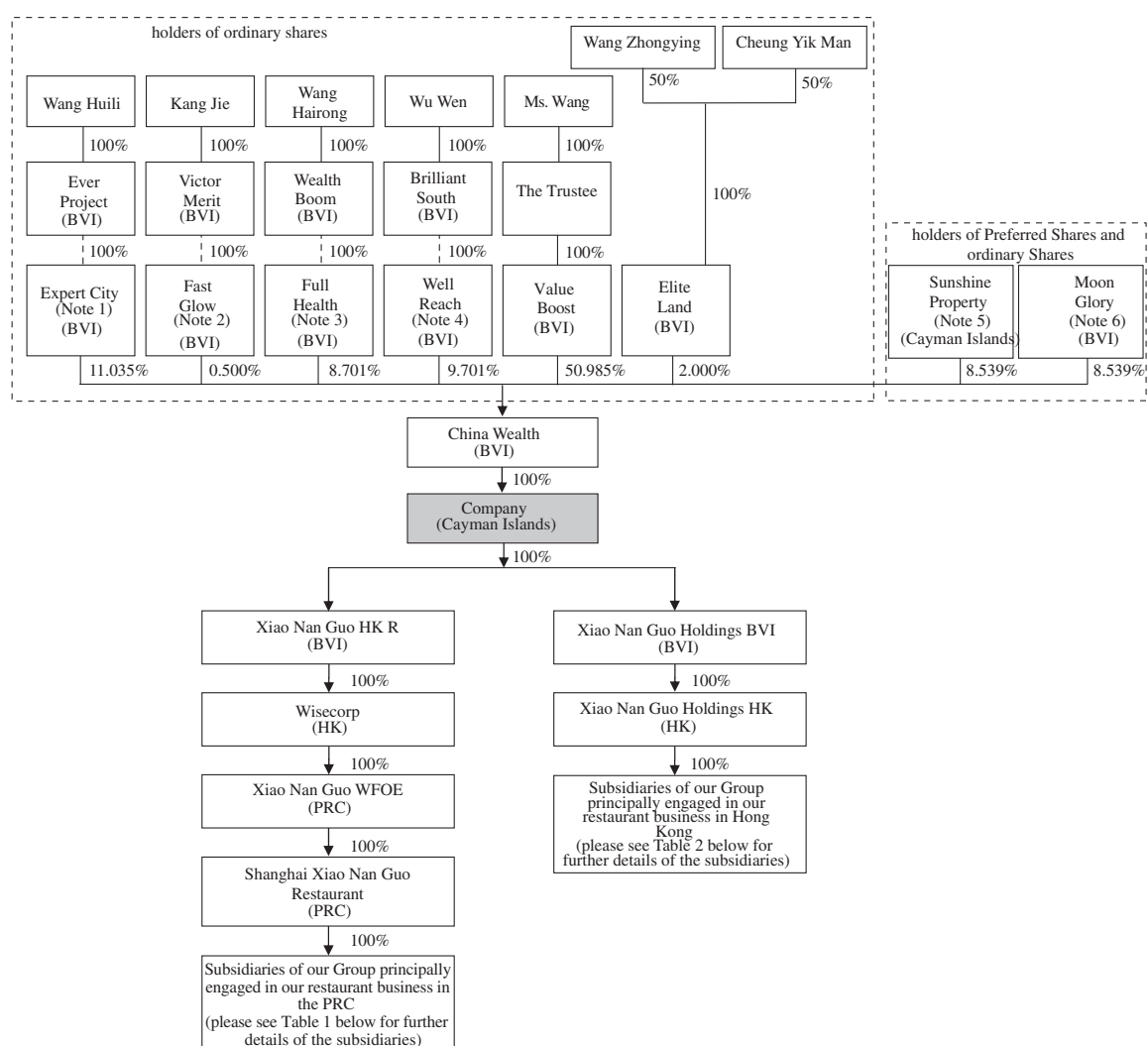
PRE-LISTING REORGANIZATION

In preparation for the Listing, on August 29, 2011, our Group underwent the Pre-listing Reorganization as follows:

- (a) China Wealth issued 85,387 ordinary shares to each of Sunshine Property and Moon Glory in consideration of repurchasing (i) 56,000 Series A Preferred Shares and 29,387 Series B Preferred Shares from Sunshine Property and (ii) 85,387 Series B Preferred Shares from Moon Glory. The Series A Preferred Shares and the Series B Preferred Shares were cancelled after the repurchase; and
- (b) We removed China Wealth from our shareholding structure such that the existing shareholders of China Wealth became direct Shareholders of our Company.

Please see the section headed “Statutory and General Information — A. Further Information about Our Company — 5. Reorganization” in Appendix VI to this prospectus for further details of the Pre-listing Reorganization.

Set forth below is the corporate and shareholding structure of our Group prior to the Pre-listing Reorganization:



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- Note 1:* Pursuant to a declaration of trust dated December 15, 2010 entered into between Ms. Wang and Ever Project, Ms. Wang is the legal owner of Expert City and is entitled to exercise the voting right of Expert City, and Ever Project is the beneficial owner of Expert City.
- Note 2:* Pursuant to a declaration of trust dated November 20, 2010 entered into between Ms. Wang and Victor Merit, Ms. Wang is the legal owner and of Fast Glow is entitled to exercise the voting right of Fast Glow, and Victor Merit is the beneficial owner of Fast Glow.
- Note 3:* Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Wealth Boom, Ms. Wang is the legal owner and of Full Health is entitled to exercise the voting right of Full Health, and Wealth Boom is the beneficial owner of Full Health.
- Note 4:* Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Brilliant South, Ms. Wang is the legal owner and of Well Reach is entitled to exercise the voting right of Well Reach, and Brilliant South is the beneficial owner of Well Reach.
- Note 5:* Pursuant to the Series B Investment Agreement and the Share Adjustment Agreement, Sunshine Property is entitled to own 8.539% of the total number of shares issued by China Wealth upon conversion of the 56,000 Series A Preferred Shares, the 27,000 Series B Preferred Shares and the 2,387 Series B Preferred Shares acquired from Core Strength pursuant to the Share Adjustment Agreement.
- Note 6:* Pursuant to the Series B Investment Agreement and the Share Adjustment Agreement, Moon Glory is entitled to own 8.539% of the total number of shares issued by China Wealth upon conversion of the 83,000 Series B Preferred Shares and the 2,387 Series B Preferred Shares in China Wealth acquired from Core Strength pursuant to the Share Adjustment Agreement.

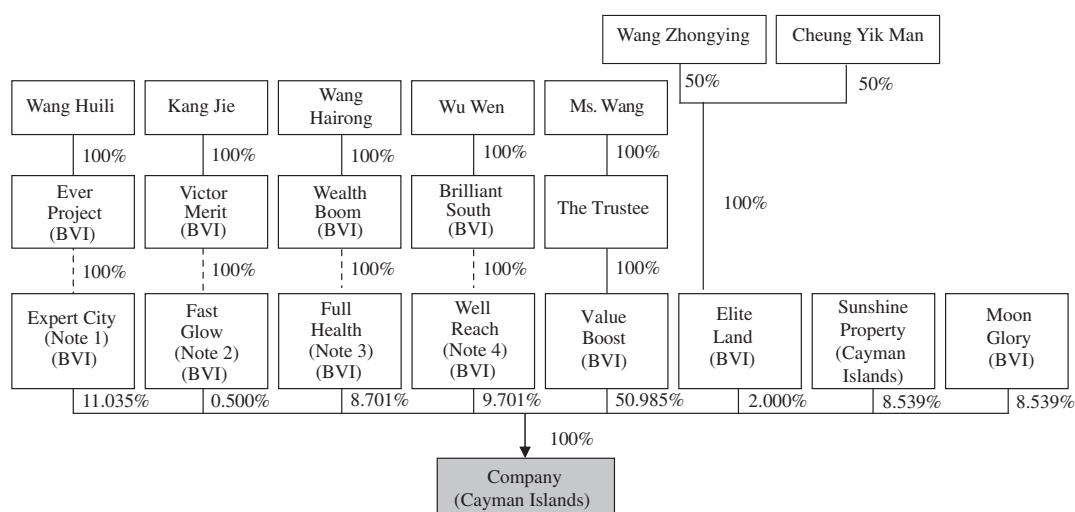
For details of the trust arrangements in Notes 1 to 4 above, please see the section headed “— Our Corporate History — Third Restructuring”.

Upon completion of the Pre-listing Reorganization, the shareholders of China Wealth directly held equity interest in our Company, in proportion to their shareholdings in China Wealth immediately prior to the Pre-listing Reorganization:

Name of Shareholders	Number of Shares (shareholding percentage in the Company rounded to the nearest three decimal points)
Expert City	110,347.5 shares (11.035%)
Fast Glow	5,000 shares (0.500%)
Full Health	87,013.75 shares (8.701%)
Well Reach	97,013.75 shares (9.701%)
Value Boost	509,851 shares (50.985%)
Elite Land	20,000 shares (2.000%)
Sunshine Property	85,387 shares (8.539%)
Moon Glory	85,387 shares (8.539%)

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The following chart illustrates the shareholding structure of the Company immediately following completion of the Pre-listing Reorganization.



Note 1: Pursuant to a declaration of trust dated December 15, 2010 entered into between Ms. Wang and Ever Project, Ms. Wang is the legal owner of Expert City and is entitled to exercise the voting right of Expert City, and Ever Project is the beneficial owner of Expert City.

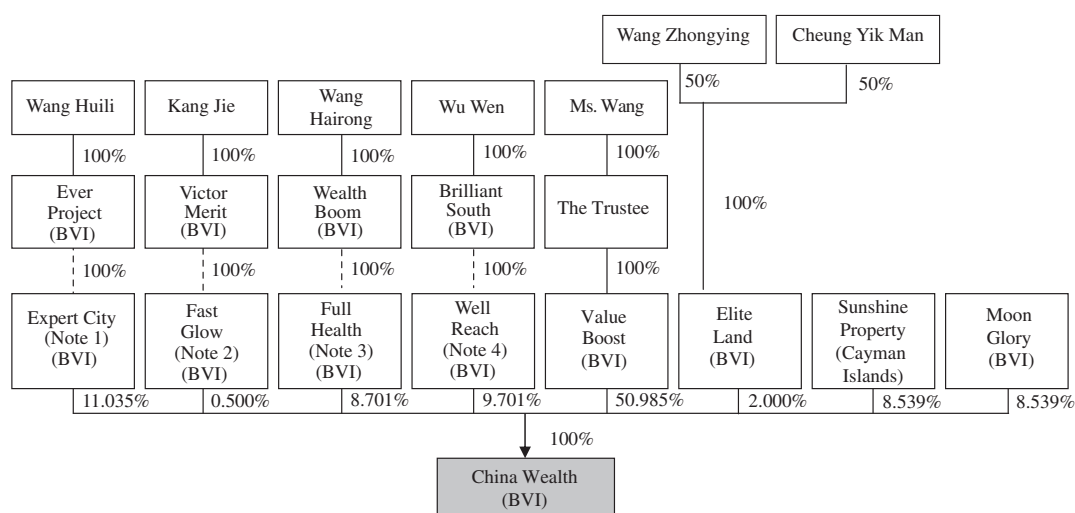
Note 2: Pursuant to a declaration of trust dated November 20, 2010 entered into between Ms. Wang and Victor Merit, Ms. Wang is the legal owner of Fast Glow and is entitled to exercise the voting right of Fast Glow, and Victor Merit is the beneficial owner of Fast Glow.

Note 3: Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Wealth Boom, Ms. Wang is the legal owner of Full Health and is entitled to exercise the voting right of Full Health, and Wealth Boom is the beneficial owner of Full Health.

Note 4: Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Brilliant South, Ms. Wang is the legal owner of Well Reach and is entitled to exercise the voting right of Well Reach, and Brilliant South is the beneficial owner of Well Reach.

For details of the trust arrangements in Notes 1 to 4 above, please see the section headed “— Our Corporate History — Third Restructuring”.

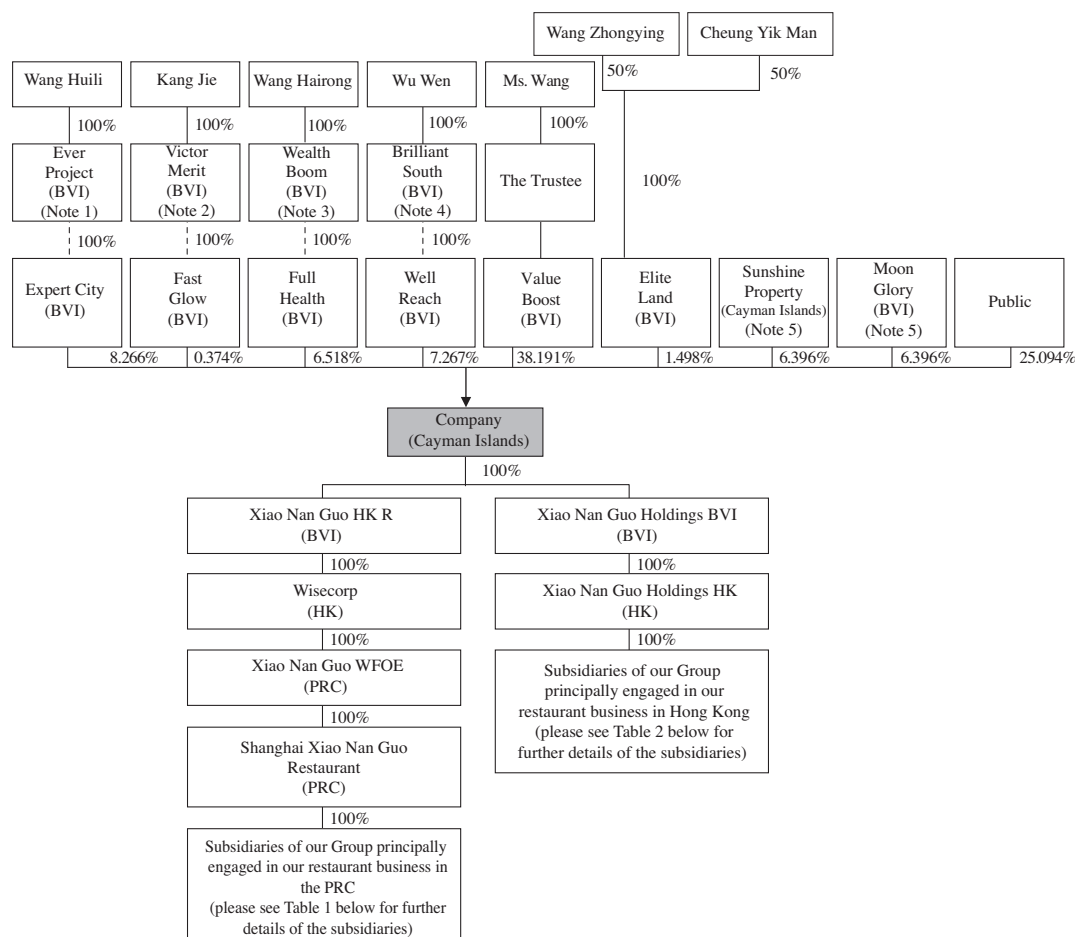
The following chart illustrates the shareholding structure of China Wealth immediately following completion of the Pre-listing Reorganization.



HISTORY AND DEVELOPMENT

OUR STRUCTURE UPON COMPLETION OF THE GLOBAL OFFERING

Set forth below is our corporate and shareholding structure immediately after the Capitalization Issue and Global Offering, assuming none of the Over-allotment Option, options granted under the Pre-IPO Option Schemes and options that may be granted under the Share Option Scheme has been exercised:



Note 1: Pursuant to a declaration of trust dated December 15, 2010 entered into between Ms. Wang and Ever Project, Ms. Wang is the legal owner of Expert City and is entitled to exercise the voting right of Expert City, and Ever Project is the beneficial owner of Expert City.

Note 2: Pursuant to a declaration of trust dated November 20, 2010 entered into between Ms. Wang and Victor Merit, Ms. Wang is the legal owner of Fast Glow and is entitled to exercise the voting right of Fast Glow, and Victor Merit is the beneficial owner of Fast Glow.

Note 3: Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Wealth Boom, Ms. Wang is the legal owner of Full Health and is entitled to exercise the voting right of Full Health, and Wealth Boom is the beneficial owner of Full Health.

Note 4: Pursuant to a declaration of trust dated November 1, 2010 entered into between Ms. Wang and Brilliant South, Ms. Wang is the legal owner of Well Reach and is entitled to exercise the voting right of Well Reach, and Brilliant South is the beneficial owner of Well Reach.

Note 5: Pursuant to the Pre-IPO Investors' Lock-up Agreement, the Shares held by the Pre-IPO Investors will be subject to a six-month lock-up immediately after the Listing. As their Shares will not be subject to a lock up of more than six months and neither Sunshine Property nor Moon Glory is a connected person, their Shares will be counted as part of the public float.

HISTORY AND DEVELOPMENT

Table 1: Subsidiaries of our Group principally engaged in our business in the PRC

Name of Subsidiary	Place of Incorporation	Date of Incorporation	Interest we own (%)	Principal business activities
Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. (上海浦東小南國餐飲有限公司)	PRC	December 29, 1997	100	operation of chain restaurant in Shanghai, PRC
Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd. (上海新區小南國餐飲管理有限公司)	PRC	August 12, 2003	100	operation of chain restaurant and provision of food catering services in Shanghai, PRC
Shanghai Jing'an Xiao Nan Guo Restaurant Co., Ltd. (上海靜安小南國餐飲有限公司)	PRC	October 21, 2004	100	operation of chain restaurant in Shanghai, PRC
Shanghai Zhonghuan Huimin Restaurant Management Co., Ltd. (上海中環匯璿餐飲管理有限公司)	PRC	May 23, 2005	100	operation of chain restaurant and provision of food catering services in Shanghai, PRC
Shanghai Xiao Nan Guo Nutritional Food Co., Ltd. (上海小南國營養餐食品有限公司)	PRC	March 9, 2006	100	operation of food processing and sale of meal box in Shanghai, PRC
Shanghai Xuhui Xiao Nan Guo Restaurant Management Co., Ltd. (上海徐匯小南國餐飲管理有限公司)	PRC	August 11, 2006	100	operation of chain restaurant and provision of food catering services in Shanghai, PRC
Beijing Xiao Nan Guo Restaurant Management Co., Ltd. (北京小南國餐飲管理有限公司)	PRC	October 11, 2006	100	operation of chain restaurant and provision of food catering services in Beijing
Shanghai Jinshan Xiao Nan Guo Restaurant Co., Ltd. (上海金山小南國餐飲有限公司)	PRC	December 25, 2007	100	operation of chain restaurant in Shanghai, PRC
Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. (上海虹梅小南國餐飲有限公司)	PRC	April 17, 2008	100	operation of chain restaurant in Shanghai, PRC
Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd. (上海長寧小南國餐飲有限公司)	PRC	July 23, 2008	100	operation of chain restaurant in Shanghai, PRC

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Name of Subsidiary	Place of Incorporation	Date of Incorporation	Interest we own (%)	Principal business activities
Shanghai Hongkou Xiao Nan Guo Restaurant Co., Ltd. (上海虹口小南國餐飲有限公司)	PRC	August 14, 2008	100	operation of chain restaurant in Shanghai, PRC
Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd. (南京小南國匯璿餐飲有限公司)	PRC	September 17, 2008	100	operation of chain restaurant in Jiangsu, PRC
Suzhou Ligongdi Xiao Nan Guo Restaurant Co., Ltd. (蘇州李公堤小南國餐飲有限公司)	PRC	October 15, 2008	100	operation of chain restaurant in Jiangsu, PRC
Dalian Shidai Xiao Nan Guo Restaurant Co., Ltd. (大連時代小南國餐飲有限公司)	PRC	July 30, 2009	100	operation of chain restaurant in Liaoning, PRC
Shanghai Maison De L'Hui Restaurant Management Co., Ltd. (上海慧公館餐飲管理有限公司)	PRC	January 5, 2010	100	catering enterprises management and business consulting in Shanghai, PRC
Ningbo Haishu Xiao Nan Guo Restaurant Management Co., Ltd. (寧波市海曙小南國餐飲管理有限公司)	PRC	December 13, 2010	100	restaurant and enterprise management in Zhejiang, PRC
Nanjing Jiangning Xiao Nan Guo Restaurant Co., Ltd. (南京市江寧區小南國餐飲有限公司)	PRC	January 12, 2011	100	operation of chain restaurant in Jiangsu, PRC
Shanghai Songjiang Xiao Nan Guo Restaurant Co., Ltd. (上海松江小南國餐飲有限公司)	PRC	March 28, 2011	100	operation of chain restaurant in Shanghai, PRC
Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. (上海昕怡小南國餐飲管理有限公司)	PRC	March 28, 2011	100	catering enterprises management and business consulting in Shanghai, PRC
Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd. (上海寶山小南國餐飲有限公司)	PRC	May 23, 2011	100	catering enterprises management, PRC

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Name of Subsidiary	Place of Incorporation	Date of Incorporation	Interest we own (%)	Principal business activities
Shenzhen Xiao Nan Guo Restaurant Management Co., Ltd. (深圳市小南國餐飲管理有限公司)	PRC	June 24, 2011	100	catering enterprises management and business consulting, PRC
Shanghai Zhabei Xiao Nan Guo Restaurant Management Limited (上海閘北小南國餐飲管理有限公司)	PRC	August 10, 2011	100	operation of chain restaurant in Shanghai, PRC

Table 2: Subsidiaries of our Group principally engaged in our business in Hong Kong

Name of Subsidiary	Place of Incorporation	Date of Incorporation	Interest we own (%)	Principal business activities
Xiao Nan Guo Management Company Limited	Hong Kong	May 5, 2000	100	operation of chain restaurant
Xiao Nan Guo Management (Kowloon) Limited	Hong Kong	February 8, 2005	100	operation of chain restaurant
Xiao Nan Guo (Causeway Bay) Management Limited	Hong Kong	March 15, 2005	100	operation of chain restaurant
Xiao Nan Guo (Kowloon Bay) Management Limited	Hong Kong	July 24, 2007	100	operation of chain restaurant
Xiao Nan Guo (Shatin) Management Limited	Hong Kong	September 8, 2008	100	operation of chain restaurant
Xiao Nan Guo (One Peking) Management Limited	Hong Kong	June 10, 2009	100	operation of chain restaurant

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OVERVIEW

We are one of the largest Chinese full-service restaurant chains for the mid- to high-end market segment in China, based on number of restaurants as of December 31, 2010 as well as sales value in 2010, according to Euromonitor International, an independent market research firm.⁽¹⁾ We own and operate restaurants under a portfolio of Chinese cuisine brands spanning diverse market segments: “Shanghai Xiao Nan Guo (上海小南國)” — our core brand and a premier mid- to high-end restaurant chain with 47 restaurants as of the Latest Practicable Date; “Maison De L’Hui (慧公館)” — a recently-developed high-end brand focused on business clientele with four restaurants as of the same date; and “the dining room (南小館)” — a pilot casual dining brand to be launched by the end of 2011 in Hong Kong. In recognition of its reputation and market awareness, the Xiao Nan Guo brand, with a history since 1987, has been designated as a “Well-known Trademark” by the SAIC, and is, we believe, one of the strongest Chinese cuisine brands in China.

We refer to the culinary style of our Shanghai Xiao Nan Guo restaurants as “Shanghainese-inspired cuisine”. By this term we intend to convey that, while our Shanghai Xiao Nan Guo restaurants focus on Shanghainese cuisine, our menu continues to evolve as we incorporate other regional flavors and international elements into our menu, develop new menu items and refine existing dishes to meet the changing consumer taste, shifting food and nutrition trends and feedback from our guests. Throughout this ongoing evolution, however, our core mission remains the same—to serve delicious, healthy and fresh cuisine of consistent quality. We search for high quality ingredients to prepare our cuisine, and seek to preserve the natural nutrients and taste in the food by using less cooking oil and seasonings at each stage of food preparation. We believe our commitment to the health, quality and continuing evolution of our menu, together with our offering of a superior dining experience in an inviting atmosphere with attentive service to our guests, has contributed to the continuing strengthening of our customer loyalty and expansion of our customer base.

We have expanded our restaurant base in new and existing markets based on a distinctive hub-and-spoke strategy. Under this strategy, within any new regional market, we seek to initially establish a cluster of restaurant locations in key economic centers in the region, or “hubs”, allowing us to derive greater economies of scale and ensure consistent quality of food through centralized food preparation, procurement and logistics functions at our central kitchens and central warehouses. We leverage these centralized functions to support our expansion into neighboring cities, or the “spokes”, which, as they gain critical mass, eventually become new “hubs”. As of the Latest Practicable Date, we operated five central kitchens and five central warehouses, servicing our restaurant network of 47 Shanghai Xiao Nan Guo restaurants and 4 Maison De L’Hui restaurants, which covered some of the most affluent and fastest-growing cities in Greater China, including Shanghai, Beijing, Dalian, Suzhou, Nanjing, Tianjin, Ningbo and Hong Kong.

Our hub-and-spoke strategy provides us with a distinctive platform for disciplined growth by enabling us to open new restaurants systematically and efficiently while maintaining quality consistency. We opened 7, 6 and 11 (including 3 Maison De L’Hui restaurants and 2 temporary

(1) According to Euromonitor International, full-service restaurants are traditional sit-down restaurants with full table service provided by waiters, where the focus of the guest experience is on food rather than drink; a Chinese full-service restaurant chain shall operate a minimum of ten branded outlets; and mid- to high-end market segment in China refers to the restaurants where the average guest check is in the range of RMB150 to RMB300 or above, and the dishes offered are generally made of premium food materials or ingredients. For more details, please see the section headed “Industry Overview”.

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Shanghai Xiao Nan Guo restaurants operated during the World Expo) new restaurants in 2008, 2009 and 2010, respectively. We currently expect to open approximately 22 new restaurants in 2011, which include 14 Shanghai Xiao Nan Guo restaurants and 1 Maison De L'Hui restaurant already opened by the Latest Practicable Date. We intend to open approximately 26 and 33 new restaurants in 2012 and 2013, respectively, by increasing penetration of existing markets and expanding into new markets including cities in the eastern, northern and southern regions of Greater China.

A critical aspect of our hub-and-spoke strategy is the emphasis on standardizing operations under modern corporate management principles. Our standard operating procedures cover all of our major restaurant operation and corporate management functions. We believe that the continuing implementation of this hub-and-spoke strategy and standardization of our operations will be critical in facilitating our efforts in significantly expanding our restaurant network over the next several years.

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us to capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China's fast-growing food and beverage industry. Our existing brands, Shanghai Xiao Nan Guo and Maison De L'Hui, are key in helping us to differentiate our cuisines and services from our competitors, and provide us with an enduring platform to develop complementary brands with potentially different pricing points. We will actively pursue opportunities to nurture a diversified brand portfolio, which will help us to reduce our exposure to risks in a specific market segment and derive efficiency and synergy across our standardized operation.

Our revenue increased by 11.1% from RMB592.9 million in 2008 to RMB659.0 million in 2009, by 32.4% from RMB659.0 million in 2009 to RMB872.5 million in 2010, and by 23.7% from RMB334.2 million in the five months ended May 31, 2010 to RMB413.5 million in the five months ended May 31, 2011. Our gross margin increased from 62.3% in 2008 to 64.5% in 2009, 65.9% in 2010 and 66.2% in the five months ended May 31, 2011. Our net profit decreased by 13.4% from RMB82.8 million in 2008 to RMB71.7 million in 2009, increased by 34.6% from RMB71.7 million in 2009 to RMB96.5 million in 2010, and increased by 10.7% from RMB28.9 million in the five months ended May 31, 2010 to RMB32.0 million in the five months ended May 31, 2011. Our net profit in 2009 was affected by costs relating to increased hiring of senior management talent as we increased focus on investment in human capital, as well as by the impact of the recent global financial crisis.

COMPETITIVE STRENGTHS

We believe the following key strengths of our Company distinguish us from our competitors, and we expect that they position us for significant growth in the future.

Premier Mid- to High-end Chinese Cuisine Brand in a Large and Fast-growing Market

We believe that Shanghai Xiao Nan Guo is one of the strongest full-service restaurant brands in China serving mid-to high-end Chinese cuisine. Maison De L'Hui is our recently-developed high-end brand focused on business clientele. We attribute the strength of our brands to our scalable and efficient operational infrastructure spanning across a multitude of business functions and processes, such as purchasing of food ingredients, food preparation, product development, ambience and service, quality control and marketing and promotion. We aim to serve delicious, healthy and fresh cuisine of consistent quality and offer our guests a superior dining experience with our attentive service coupled

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with a refined ambience. As a result of our efforts, the Xiao Nan Guo brand was designated as a “Well-known Trademark” by the Trademark Bureau of Chinese State Administration of Industry and Commerce in 2010. Shanghai Xiao Nan Guo was also named a “Famous Restaurant of Shanghai’s Food and Beverage Industry” by Shanghai Cuisine Association in 2009.

According to Euromonitor International, the sales value of China’s Asian cuisine full-service restaurant sector increased from approximately RMB1,010.9 billion in 2006 to RMB1,613.5 billion in 2010, representing a CAGR of 12.4%, primarily due to factors such as increasing consumer spending power and higher frequency of dining out and business events. China’s Asian cuisine full-service restaurant sector is highly fragmented, with approximately 95% of the market share held by independent restaurants in 2010 which presents vast growth opportunities for restaurant chains, according to Euromonitor International. Benefiting from this overall industry growth, and as we continue to solidify our leading market position by capitalizing on our brand recognition, consistent food quality and superior dining experiences, we believe we are well-positioned for significant growth.

Established Hub-and-spoke Network for Rapid Expansion

We have developed and implemented a distinctive hub-and-spoke network expansion strategy, under which we initially establish restaurant locations in key economic centers, such as Shanghai, Beijing and Hong Kong, and subsequently expand into neighboring cities. Through this strategy, we seek to leverage our consolidated procurement, logistics and corporate management functions through our central kitchens and central warehouses located in strategic hubs where the number of our restaurants has reached a critical mass. Our hub-and-spoke strategy is supported by our business model of standardized operations and helps us to derive greater economies of scale. We believe the hub-and-spoke strategy helps to drive the systematic expansion of our restaurant network while leveraging economies of scale. As of the Latest Practicable Date, our restaurant network comprises 51 Shanghai Xiao Nan Guo and Maison De L’Hui restaurants, covering some of the most affluent and fastest-growing cities in China, including Shanghai, Beijing, Dalian, Suzhou, Nanjing, Tianjin and Ningbo as well as Hong Kong.

In 2008, 2009 and 2010, we opened 7, 6 and 11 (including 3 Maison De L’Hui restaurants and 2 temporary Shanghai Xiao Nan Guo restaurants operated during the World Expo) restaurants, respectively. We currently plan to open approximately 22 new restaurants in 2011 (including 14 Shanghai Xiao Nan Guo restaurants and 1 Maison De L’Hui restaurant already opened by the Latest Practicable Date), 26 and 33 new restaurants in 2012 and 2013, respectively. We believe that by capitalizing on our strategic restaurant network currently in place and replicating our proven hub-and-spoke business model in new markets, as we increase the rate of new restaurant openings in the next few years, we are well-positioned for rapid expansion.

Standardized Operations Driving Scalability and Efficiency

We have established a scalable business model by developing and implementing standardized operations under modern corporate management principles. We have allocated significant efforts and resources in recent years to develop, implement and refine this business model. As a result of these efforts, we believe that our current management system provides for a distinctive platform for future growth by enabling us to replicate our business model and open new restaurants in new markets systematically and efficiently while maintaining quality consistency.

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Our standardized operations primarily consist of the following aspects:

- *Restaurant operating functions.* By providing formal and systematic training programs to our restaurant personnel, we have implemented a set of standard operating procedures for each of our major restaurant operating functions, including waiting staff, cashier, floor manager, chef and restaurant general manager. Our standard operating procedures are compiled and updated based on our heritage of more than two decades in the industry. We have established an “operational excellence department” to monitor and enhance the day-to-day implementation of our standard operating procedures and management systems at our restaurants.
- *Corporate management functions.* We have standardized our major corporate management functions such as our site selection and product development processes. Our site selection process requires six to nine months, with market research conducted for new markets. Our site selection committee is responsible for the evaluation, inspection and approval of each restaurant site. Our product development process is based on the taste of guests, food trends, nutrition trends and feedback from our guests. We focus not only on the taste and quality of the dish, but also its commercial viability taking into account the entire procurement and preparation process based on standardized recipe and preparation procedures. Our product development committee meets periodically to evaluate and approve new dishes.
- *Central kitchens and central warehouses.* We commenced to use central kitchen approximately ten years ago in Shanghai. The use of central kitchens and central warehouses helps us to ensure the consistent quality of food and timeliness of delivery across different locations, manage our inventory and facilitate greater efficiency through greater economies of scale, such as task specialization among chefs at central kitchens, less reliance on restaurant-level kitchen staff and economic use of food ingredients and other supplies. We have successfully applied the concept of central kitchens and central warehouses, which are generally associated with fast-food restaurants, to operating full-service mid- to high-end Chinese restaurants.
- *Information technology.* We have implemented a modern information technology system to standardize and centralize restaurant management. The computerized point-of-sale systems at our restaurants capture consumer spending data, which are closely monitored and analyzed by our management. We have also standardized and centralized management over the menu mix and pricing at each restaurant through our point-of-sale systems. Our customer relationship management system facilitates the collection of customer information, communication with our guests and early identification of changes in customer demand. Our enterprise resource planning systems provide a standardized and centralized platform to manage the supply chain, human resources and accounting for all restaurants.

We have allocated significant resources in recent years to develop, implement and refine this business model. As a result of these efforts, we believe that our current management system provides for a distinctive platform for future growth by enabling us to replicate our business model and open new restaurants in new markets systematically and efficiently while maintaining quality consistency.

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High Quality Cuisine and Innovative Product Development

Our success is built on the proposition to our guests of serving delicious, healthy and fresh Shanghainese-inspired cuisine of consistent quality. To that end, we seek to find the highest quality food ingredients that are commercially available to prepare our cuisine. For instance, our sautéed fresh river shrimp is prepared with fresh shrimp from designated natural waters in eastern China. Our high quality cuisine is also health-conscious. During storage, preparation and cooking, we seek to preserve the natural nutrients and taste in the food by using less cooking oil and seasonings. Our high quality cuisine is represented by our signature dishes, such as sautéed fresh river shrimp and steamed herring, offering our guests an attractive value proposition that combines high quality food and broad demographic appeal. We believe our signature dishes help us to maintain points of quality differentiation, drive guest visits and increase restaurant sales.

Although our restaurants primarily offer Shanghainese cuisine, our menu has evolved to become more cosmopolitan and international. We continuously seek to incorporate other regional flavors as well as international elements into our menu, develop new menu items, and refine existing dishes on the basis of our heritage of more than two decades, changing tastes of guests, shifting food and nutrition trends and feedback from our guests. We update approximately 20% of the items on our main menu every year, including replacing approximately 10% of the dishes with newly-developed dishes. The success of new menu items reflects the efforts of our rigorous, systematic and increasingly demand-driven product development process.

Loyal Customer Base Generating Significant Recurring Revenue

We believe that we have a loyal customer base. We believe that the combination of our high quality and evolving food offerings, attentive service and refined ambience creates a superior dining experience that will continue to help us to cultivate a loyal customer base generating significant recurring revenue. We built our customer relationship management system based on the platform of membership programs for Shanghai Xiao Nan Guo restaurants in 2009 and Maison De L'Hui restaurants in 2010, which help us to locate and attract new guests, nurture and retain existing guests, and re-connect with former guests. The membership program has attracted more than 70,000 members as of May 31, 2011, and revenue contribution from our guests using membership cards during the five months ended May 31, 2011 accounted for 31% of our total revenue during the same period.

Leadership under an Experienced Restaurateur Complemented by an Energetic Professional Management Team

We were founded by our chairlady, Ms. Wang, who, when she opened the first Xiao Nan Guo restaurant in 1987, was persistent in her pursuit of serving delicious, healthy and fresh cuisine. Under her leadership, we believe we have successfully satisfied the evolving consumer taste, and managed through several economic cycles to become a chain of 51 restaurants under two brands as of the Latest Practicable Date. As our business continued its significant expansion, Ms. Wang, rather than continuing to manage our Company as a family business, made a decision to place us under the leadership of a modern corporate management team.

We have built a management team that is energetic, professional and highly experienced in their respective fields. Our management team is headed by our chief executive officer, Mr. Kang Jie, who brings to bear 13 years of management experience in banking and financial services. Ms. Shao Shan, our vice president responsible for the Group's operation and human resources, has 17 years of experiences in operations and training. Our vice president responsible for the Group's finance,

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information technology and internal control, Mr. Zhang Jun, has 13 years of experiences in finance and management. Mr. Pan Qin, our vice president and chief chef, has worked at Xiao Nan Guo restaurants for over 24 years and received numerous awards recognizing his professional excellence. Most of our management team members bring to us extensive experience in companies of international brands, including Coca-Cola, McDonald's, Yum! Brands in the food and beverage industry. Our management team has been instrumental in the development and implementation of a series of initiatives to develop our standardized operation model under modern corporate management principles.

In addition, our management team benefits from the vision and experience of the members of our advisory board, comprising established restaurateurs with extensive experiences in the international food and beverage industry.

We believe that the vision, industry knowledge and experience, management capability and cohesiveness of our senior management team will continue to help us to deliver sustainable growth in the future.

BUSINESS STRATEGY

Our objective is to become a world-leading full-service Chinese restaurant chain operator. To this end, we intend to implement the following strategies:

Replicate Success by Continuing Expansion under our Hub-and-spoke Strategy

We have historically experienced significant success based on our hub-and-spoke expansion strategy, under which we focus on building a restaurant network in a select number of regional economic centers and expand into neighboring cities. We intend to continue to develop and implement our business model to increase penetration of existing markets and reach into new markets. In 2011, we plan to open approximately a total of 20 Shanghai Xiao Nan Guo restaurants (including 14 already opened in 2011 as of the Latest Practicable Date), a majority of which are aimed at increasing the penetration of our existing markets in eastern, northern and southern regions of Greater China. In addition, in 2011, we have expanded into Ningbo (initially supported through Shanghai), and we also intend to expand into new regional economic centers such as Shenzhen (initially supported through Hong Kong) and Wuxi (initially supported through Shanghai). We currently intend to open approximately 26 and 33 new restaurants in 2012 and 2013, respectively.

To support our network expansion, we plan to allocate approximately HK\$333 million from the proceeds of the Global Offering to fund the opening of new restaurants in the fourth quarter of 2011 and in 2012 and 2013.

Capture More Market Segments by Pursuing a Multi-brand Strategy

Shanghai Xiao Nan Guo is our core brand and a premier mid- to high-end restaurant chain. Maison De L'Hui, which is still in its initial stages of development, is our recently-developed high-end brand focused on business clientele. We intend to continue disciplined diversification by trying to build a diversified brand portfolio to capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market shares by enlarging our customer base. We structure our brand portfolio to offer different price points and appeal to different clientele, with each brand maintaining a distinctive identity. We believe that a well-executed multi-brand

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strategy will allow us to (i) reduce our exposure to risks in a specific market segment, and (ii) derive cost efficiency and synergy from sharing operations or functions, leveraging our industry knowledge and experience, pooling negotiating powers with landlords and suppliers, and coordinating marketing and promotion initiatives across different brands and market segments.

We will actively pursue opportunities in the mass markets. For example, we are preparing to launch a pilot casual dining restaurant in Hong Kong under a new brand, preliminarily named “the dining room” (“南小館”), offering a more simplified menu at low- to mid- price points. The purpose of this pilot restaurant is to assess and select the appropriate format and concept for the mass market. We currently intend to open one and three more restaurants under this brand in 2012 and 2013, respectively. We will also consider exercising our call option to acquire Xiao Nan Guo Da Wei Lai, the Chinese food delivery business controlled by our Controlling Shareholder, Ms. Wang. See “Relationship with Controlling Shareholders — Call Option Deed”.

Our diversification initiatives also include efforts to diversify our product offerings which help to expand the outreach of our existing core brand. For example, we commenced the sale of branded food products under the Shanghai Xiao Nan Guo brand in 2002, to meet the growing market demand for premium and healthy branded food products in China by leveraging our brand image of superior dining experiences and high quality cuisine. We intend to continue increasing sales of our branded food products and developing new branded food products to expand the outreach of our brand.

Continue to Strengthen Operational Infrastructure to Deliver Sustainable Growth

We have built a scalable operational infrastructure that has successfully supported the expansion of our restaurant network. We believe that our operational infrastructure allows us to derive cost efficiency and increase profitability. We will continue to enhance our operational infrastructure in the following key aspects with a view to delivering a sustainable growth of our business:

- *Standardized and centralized operations.* We will continue to standardize and refine our operating procedures for all major functions. We expect to continue providing systematic training and conducting performance assessment for our employees to ensure and improve the implementation of our standardized operating procedures. We also plan to open new central kitchens in Shenzhen and Shenyang and expand the current central warehouse in Beijing to service the planned new restaurants in northern and southern China.
- *Human resources.* We will continue to seek to attract qualified employees to join our ranks, particularly restaurant staff and talents in operations management. We also plan to expand and refine our restaurant-level training programs, and increase collaborative efforts with various vocational colleges across China to attract potential talents and promote internal upward mobility.
- *Information technology.* We intend to continue investing in information technology to facilitate transaction-processing, monitor and control operating processes, and provide information and support for effective managerial decision making. We are building a centralized database to consolidate our existing information technology systems and conduct systematic customer intelligence analysis, and centralized control of our restaurant network. We are also developing a bill of materials system to monitor and analyze the quantity and cost of food ingredients required to prepare a finished dish, which is expected to help us to achieve standardization of quality and economies of scale in our supply chain.

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To improve the efficiency and value of our human resources management, we are building an electronic human resources portal that helps to automate and streamline human resources processes and enables us to focus more on business-critical activities such as employee training and recruiting.

- *Product development.* We plan to strengthen our product development capabilities by promoting a customer-centered approach to product development. For example, we intend to establish a team dedicated to studying consumer trends and dining patterns, which will provide the foundation for generating and testing new products. We will also continue to refine division of work within our product development department to increase efficiency and market acceptance of newly developed dishes.
- *Supply chain.* We will continue to seek the highest quality food ingredients that are commercially available. To achieve this objective, we intend to increase our strategic cooperation with selected suppliers by entering into more supply agreements with pre-determined prices for key food ingredients. We will also continue to improve our supply chain efficiency by constantly refining our procurement strategies and increasing centralization of our purchases of food ingredients and other supplies.

Enhance Comparable Restaurant Sales Growth and Profitability

We are committed to continuing to enhance our comparable restaurants sales growth and profitability. Accordingly, we intend to implement a number of initiatives, many of which represent natural extensions and continuing refinement of our strategy to date. These key initiatives include:

- increasing revenue contribution from repeat customers by analyzing and utilizing the consumption-related information of the membership cardholders under our customer relationship management system;
- increasing banquet sales by expanding our banquet sales team and strengthening targeted marketing efforts;
- increasing wine and beverage sales by improving our wine and beverage menu and educating our restaurant staff about the menu items;
- increasing cost saving and operation efficiency by further consolidating food preparation processes into our central kitchens;
- driving economies of scale through network expansion under our hub-and-spoke strategy;
- optimizing restaurant-level staffing to maintain our service quality and reduce our labor costs;
- maximizing utilization of food ingredients by promoting cross-utilization of food ingredients among different menu items and streamlining operation procedures at our central kitchens and restaurant kitchens;
- streamlining restaurant-level usage of food ingredients and other supplies and improving purchase cost control through centralized purchases; and
- upgrading the décor of existing restaurants to revitalize the ambience of the restaurants, attract new guests, and re-connect with existing guests to build frequency.

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We also intend to increase sales of our branded food products and develop new branded food products to expand the outreach of our brands.

Continue to Promote Brand Image and Recognition

We intend to continue promoting our brand image to differentiate ourselves from our competitors through our marketing and promotional initiatives. In particular, we seek to promote awareness of our brands through a variety of initiatives when we expand into new markets or open new restaurants in existing markets where we have little market presence, including

- continuing to promote our signature dishes that are distinctive and representative of Shanghai Xiao Nan Guo’s Shanghainese-inspired culinary style;
- strengthening our corporate visual identity by ensuring clear and consistent restaurant signage and billboard;
- targeting various lifestyle and leisure-related conventional media channels to introduce our brand, cuisine, ambience and service of our restaurants;
- leveraging new media, including social networking websites and microblogs on the Internet, to enhance interactions with the customers and to raise the brand awareness among our customers;
- continuing to collaborate with well-known third parties with established and premium membership network, such as credit card companies and consumer internet websites, to attract new customers; and
- strengthening our integrated marketing initiatives in the new markets, including advertising, public relation initiatives and direct marketing activities such as emailing and direct mailing.

BUSINESS PHILOSOPHY AND CORE VALUES

We refer to the culinary style of our Shanghai Xiao Nan Guo restaurants as “Shanghainese-inspired cuisine”. Our founder, Ms. Wang, has sought to embody in our cuisine those concepts that we believe define today’s Shanghai—refined and modern yet true to its heritage. Like the city of Shanghai, the cuisine we offer was built on tradition and has evolved to become more cosmopolitan and international, as we regularly update our classic Chinese dishes by applying contemporary elements. Our success is built on the proposition to our guests of serving delicious, healthy and fresh food. To that end, we search for the highest quality food ingredients that are commercially available to prepare our cuisine, seek to preserve the natural nutrients and taste in the food by using less cooking oil and seasonings during preparation, and implement quality control system to ensure the consistently high quality of the dishes. Under our corporate-style management system, we have implemented a set of standard operating procedures to ensure quality consistency of food across different branches.

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RESTAURANT BRANDS

We own and operate restaurants under two brands: Shanghai Xiao Nan Guo and Maison De L'Hui. Our restaurant operations are conducted in two regions: China and Hong Kong. The following table sets forth our revenue by brands and regions for the periods indicated.

	For the year ended December 31						For the five months ended May 31,	
	2008		2009		2010		2011	
	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%
<i>China</i>								
Shanghai Xiao Nan Guo								
Eastern China ⁽¹⁾	393,155	68.0	430,484	67.6	576,033	68.2	261,711	64.4
Northern China ⁽²⁾	72,274	12.5	96,384	15.1	124,590	14.7	64,522	15.9
Subtotal	465,429	80.5	526,868	82.7	700,623	82.9	326,233	80.3
Maison De L'Hui	—	—	—	—	11,199	1.3	18,176	4.5
<i>Hong Kong</i>								
Shanghai Xiao Nan Guo	112,517	19.5	110,528	17.3	134,071	15.8	61,608	15.2
Total revenue of restaurant operations	<u>577,946</u>	<u>100.0</u>	<u>637,396</u>	<u>100.0</u>	<u>845,893</u>	<u>100.0</u>	<u>406,017</u>	<u>100.0</u>

(1) Our Shanghai Xiao Nan Guo restaurants in eastern China include restaurants located in Shanghai, Suzhou, Nanjing and Ningbo.

(2) Our Shanghai Xiao Nan Guo restaurants in northern China include restaurants located in Beijing, Dalian and Tianjin.

The following table sets forth our gross profit by brands and regions for the periods indicated.

	For the year ended December 31						For the five months ended May 31,	
	2008		2009		2010		2011	
	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%	Amount (RMB'000)	%
<i>China</i>								
Shanghai Xiao Nan Guo								
Eastern China ⁽¹⁾	235,779	64.4	272,021	64.9	369,564	65.9	167,990	62.3
Northern China ⁽²⁾	42,175	11.5	60,143	14.3	81,574	14.6	42,192	15.7
Subtotal	277,954	75.9	332,164	79.2	451,138	80.5	210,182	78.0
Maison De L'Hui	—	—	—	—	6,920	1.2	11,987	4.5
<i>Hong Kong</i>								
Shanghai Xiao Nan Guo	88,010	24.1	87,035	20.8	102,806	18.3	47,129	17.5
Total gross profit of restaurant operations	<u>365,964</u>	<u>100.0</u>	<u>419,199</u>	<u>100.0</u>	<u>560,864</u>	<u>100.0</u>	<u>269,298</u>	<u>100.0</u>

(1) Our Shanghai Xiao Nan Guo restaurants in eastern China include restaurants located in Shanghai, Suzhou, Nanjing and Ningbo.

(2) Our Shanghai Xiao Nan Guo restaurants in northern China include restaurants located in Beijing, Dalian and Tianjin.

BUSINESS

Shanghai Xiao Nan Guo

Cuisine and menu

Initially focused on classic Shanghainese cuisine, Shanghai Xiao Nan Guo's offerings have since been influenced by the cuisine of other regions in China, including Guangdong, Sichuan and Hunan. We have also expanded the menu to include Western dishes, such as salad, and Japanese dishes such as sashimi. As a result, Shanghai Xiao Nan Guo now offers what we refer to as "Shanghainese-inspired" cuisine.

Currently, we offer approximately 200 dishes on our main menu under 11 categories: cold dishes; sashimi dishes; delicacy dishes (including abalone, sea cucumber and bird's nest); seafood and river catch dishes; stir-fry specials; poultry and meat dishes; hairy crab; vegetables; soup and potage; dim sum and desserts. The menu is highlighted by approximately ten signature dishes that are distinctive and representative of Shanghai Xiao Nan Guo's culinary style, including vegetable salad with "secret sauce" (蔬菜色拉), sautéed fresh river shrimp (清炒野生河蝦仁), noodle with scallion-flavored oil (南國蔥油拌麵), grandma's meat pot (外婆紅燒肉), bean curd with hairy crab cream roe in casserole (蟹粉豆腐), deep-fried river baby fish (野生烤子魚), steamed herring (清蒸鱈魚), sautéed supreme beef in XO sauce (XO醬吉品牛肉), Nan Guo chicken soup (特色本雞湯), and rice dumpling in sweet lotus soup (藕粉珍珠圓子). We track and evaluate the sales and customer feedback on our signature dishes, and review and update our signature dishes annually based on our evaluation. We also continuously refine our signature dishes in response to the evolving consumer trends. We update approximately 20% of the items on our main menu every year, including replacing approximately 10% of the dishes with newly-developed dishes.

BUSINESS

The following images show four of our signature dishes (clockwise from top left), sautéed fresh river shrimp, vegetable salad with “secret sauce”, steamed herring, and grandma’s meat pot, respectively.



In addition to our main menu, we offer our guests seasonal menus comprising approximately 15 to 20 dishes selected from our database of recipes. Dishes on the seasonal menu are selected based on the seasonal availability of key food ingredients as well as the natural properties of the dish which make them suitable for consumption in a particular season. In addition, some of the newly developed dishes are tested as seasonal menu items when they are being considered for our main menu. Our wine and drinks menu consists of more than 100 items.

Shanghai Xiao Nan Guo’s menu items are priced to cater to medium- and high-end Chinese consumers. Our cold dishes are generally priced from RMB20 to RMB60. Entrée dishes such as stir-fry specials, poultry and meat as well as vegetable dishes are generally priced from RMB50 to RMB200. Dim sum dishes and desserts generally range from RMB10 to RMB50. In addition, we offer dishes that are priced significantly higher to meet the demands of our business clientele and high-end consumers. For instance, our sashimi dishes, delicacy dishes, seafood and river catch dishes may range from RMB200 to over RMB1,000. For average check per guest at our Shanghai Xiao Nan Guo restaurants, please see the section headed “Financial Information — Key Factors Affecting Our Results of Operations — Guest Traffic and Average Check per Guest.”

BUSINESS

Ingredients and food preparation

One of the most fundamental tenets of our business philosophy is to serve delicious, healthy and fresh food to our customers. This philosophy is reflected in the ingredients we use in the food preparation processes that we employ. We purchase a diverse range of food ingredients from more than 200 suppliers, primarily including (i) standardized food and supplies, such as seasonings, alcoholic and non-alcoholic beverage, (ii) highly specialized and high-value food, such as river shrimp, crab, prawn, herring and abalone, and (iii) fresh produce, such as vegetable and fruit. For more details, please see the section headed “— Purchasing — Supplier Management”.

We seek to use the highest quality food ingredients that are commercially available. Many of the ingredients that we use are only available from specialized suppliers. For example, our sautéed fresh river shrimp, a signature dish, is prepared with fresh shrimp from designated natural waters. We seek to use less cooking oil and seasonings to preserve the natural nutrients and taste in the food.

We have implemented a set of standard operating procedures, including stringent quality control procedures at each stage of the raw material supply and food preparation process. We place strict requirements on food safety as well as the appearance, smell, taste and shape of our food ingredients. We have engaged a PRC subsidiary of an independent international inspection and testing company, to test the physicochemical, microbial and other indices of the food ingredients samples provided by us about three to four times per month since January 2010. The food ingredients samples are tested at the laboratories of the inspection and testing company in the PRC. We currently intend to continue this arrangement to ensure effective quality control over our food ingredients. As of the Latest Practicable Date, we did not engage any other third party inspection or testing agencies to provide quality inspection and testing services to us on a regular basis.

Our central kitchens centralize the production and delivery of semi-processed food, and prepare the proprietary seasonings and spices used in our dishes. The use of central kitchens further ensures quality consistency of food across different branches and allows us to benefit from economies of scale. For more details, see “— Restaurant Operations and Management — Central Kitchens and Central Warehouses”.

Ambience and service

We seek to offer our guests a superior dining experience in an inviting atmosphere with attentive service. Our Shanghai Xiao Nan Guo restaurants are generally designed based on one of four themes:

- *Art deco*, featuring a simple, elegant and modern Shanghai style; this theme is generally used for our restaurants that primarily cater to high-end business clientele;
- *Avant-garde*, featuring modern and fashion-forward designs; this theme is generally used for our restaurants that primarily cater to high-end fashion-conscious and young clientele;
- *Neo-classicism*, featuring a warm and luxurious environment; this theme is generally used for our restaurants that primarily host family gatherings, wedding banquets and business functions; and
- *Contemporary stylish*, featuring a relaxed and warm environment; this theme is generally used for our restaurants that primarily cater to a full spectrum of guests including families, friends and tourists.

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A Shanghai Xiao Nan Guo restaurant comprises the main dining hall and private dining rooms. Our main dining halls generally range from approximately 100 square meters to 400 square meters, and are generously spaced with 10 to 30 tables seating approximately 4 to 12 guests each. Each member of our waiting staff is generally responsible for serving approximately ten guests. Each Shanghai Xiao Nan Guo restaurant is also equipped with 8 to 20 private dining rooms, seating approximately 8 to 16 guests in each room. At our private dining rooms, each waiter is generally dedicated to serving a single room, other than smaller private dining rooms, in which case he or she will be responsible for two rooms. We believe our private dining rooms appeal to business clientele by ensuring privacy and service quality. Private dining rooms can also increase our banquet sales by catering to private parties and large functions such as weddings, holiday parties and business events. Our background music mainly features light lounge and jazz music to create a relaxing and refined atmosphere.

We are committed to delivering superior service to every guest in every visit. To this end, we have adopted a set of strict table service standards designed to successfully meet the expectations of guests and at the same time enhance the speed of service. The service standards are implemented and regularly updated and monitored to ensure guest satisfaction. We maintain appropriate waiting staff-to-table ratios, provide thorough training to all service personnel on the details of our standardized service procedures and each menu item, and staff each restaurant with experienced management teams to ensure consistent and attentive guest service.

BUSINESS

The following images show the interior of some of our Shanghai Xiao Nan Guo restaurants.



BUSINESS

Maison De L’Hui

We opened the first Maison De L’Hui restaurant in 2010 as a high-end brand focused on our business clientele. As of the Latest Practicable Date, we own and operate four restaurants under the Maison De L’Hui brand, all of which are located in Shanghai. These restaurants are generally located in classical buildings at premium locations, and generally only offer private dining rooms. Each Maison De L’Hui restaurant is uniquely designed by well-recognized architects and designers. The following is a brief description of our four Maison De L’Hui restaurants:

- *Sinan Mansions.* This Maison De L’Hui branch occupies a classical three-storey building in the old French Concession district, and has been decorated in chic minimalist colors of red, white and black. It offers nouveau Cantonese fine cuisine and classical Shanghainese fine cuisine.
- *Julu.* This Maison De L’Hui branch occupies an English-style three-storey historical villa built in 1923. The restaurant has been designed in classical British style, featuring red tiles and brick walls, classic pillars and veranda, expansive arched mosaic windows and vintage wooden spiral stairs. It offers nouveau Cantonese fine cuisine.
- *Pier 16.* This Maison De L’Hui branch is located in a premium location on the Bund overlooking the Huangpu River. The restaurant was designed by AB Concept, a world-renowned design company, and features corridors paved with premium black Spanish marble, dining areas in a pattern of kaleidoscope, customized reproduction furniture and hand-woven carpets. It offers nouveau Shanghainese fine cuisine.
- *Rock Bund.* This Maison De L’Hui branch is located on the Bund in a historical building built in 1907, and was designed in the “old Shanghai” style. The Rock Bund branch offers nouveau Shanghainese cuisine.

The average check per guest at our Maison De L’Hui restaurants, including alcoholic and nonalcoholic beverages, was estimated to be RMB526 for the year ended December 31, 2010. For more information on the location of Maison De L’Hui restaurants, see “— Restaurant Network”.

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The following images show the exteriors of some of our Maison De L'Hui restaurants.



OTHER BUSINESSES

Other than our restaurant operations, we also engage in other businesses primarily including sale of branded food products. In addition, we engaged in other ancillary businesses such as (i) an employee canteen in Beijing, and (ii) sale of packed meals, which was terminated in early 2010.

Sale of Branded Food Products

To leverage our brand image and meet the growing market demand for premium and healthy branded food products in China, we commenced the sale of branded food products bearing the Shanghai Xiao Nan Guo brand in 2002. We believe the appeal of our branded food products is rooted in our use of natural, healthy and authentic food ingredients as well as affiliation with our brand that connotes superior dining experiences and high quality cuisine.

The current product line of our branded food products includes rice dumplings (粽子), moon cakes (月餅), hairy crabs (大閘蟹) and Spring Festival Eve packaged dinners (年夜飯). We are developing new products that are both amenable to packaging and fitting to our brand image. We have been selling branded food products at our restaurants and to corporate customers directly. Our revenue derived from sale of branded food products was RMB2.7 million, RMB9.3 million, RMB20.5 million and RMB6.7 million for the three years ended December 31, 2010 and five months ended May 31, 2011, respectively, representing 0.5%, 1.4%, 2.4% and 1.6% of our total revenue from the relevant period, respectively. We intend to continue increasing sales of our branded food products and developing new branded food products to expand the outreach of our brands.

Others

On February 29, 2008, we acquired from certain Independent Third Parties the 100% equity interest in Xiao Nan Guo Nutritional, formerly known as Shanghai Kangdian Nutritional Food Co., Ltd. (上海康點營養餐食品有限公司), which owned and operated a packed meal (盒飯) business in

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Shanghai. We made the acquisition for the purpose of converting its production facilities located in suburban Shanghai into our largest central kitchen. Therefore, the packed meal business operated by Xiao Nan Guo Nutritional was gradually scaled down after the acquisition and ultimately closed in early 2010.

Since 2009, we have been operating an employee canteen in an office building's basement in Beijing per the request of the landlord, who also leases us the premises for our central kitchen in the same building. The employee canteen mainly services the office workers in the building. The canteen does not use our logo or brand.

RESTAURANT NETWORK

We own and operate all of the Shanghai Xiao Nan Guo restaurants in the Group, and lease all of the real properties on which our restaurants operate. We owned and operated 21, 27, 33 and 47 Shanghai Xiao Nan Guo restaurants as of December 31, 2008, 2009 and 2010 and the Latest Practicable Date, respectively. We plan to open an additional approximately 20 Shanghai Xiao Nan Guo restaurants in 2011 (including 14 already opened in 2011 as of the Latest Practicable Date), a majority of which are expected to be in cities where we have existing branches, including Shanghai, Beijing, Suzhou, Nanjing, Dalian and Tianjin, as well as Hong Kong. In addition, in 2011, we have expanded into Ningbo (initially supported through Shanghai), and we also intend to expand into new regional economic centers such as Shenzhen (initially supported through Hong Kong) and Wuxi (initially supported through Shanghai). We currently intend to open 24 and 28 more Shanghai Xiao Nan Guo restaurants in 2012 and 2013, respectively. For further details with respect to our restaurant openings and closings, see “Financial Information — Key Factors Affecting Our Results of Operations — Restaurant Openings and Closings”.

The following table sets forth, by location, nature of premises and opening date of Shanghai Xiao Nan Guo restaurants that had been operating for any period of time during the Track Record Period or are currently in operation as of the Latest Practicable Date.

Location	Premises	Date Opened
<i>Eastern China (35 restaurants)</i>		
Shanghai	Free standing building	January 1999
Shanghai	Free standing building	August 2001 ⁽¹⁾
Shanghai	Free standing building	June 2003
Shanghai	Office building	September 2003
Shanghai	Shopping mall	April 2004 ⁽²⁾
Shanghai	Office building	October 2004
Shanghai	Shopping mall	September 2005
Shanghai	Hotel	August 2006
Shanghai	Hotel	November 2007
Shanghai	Hotel	December 2007
Shanghai	Shopping mall	July 2008
Shanghai (two restaurants)	Shopping malls	August 2008

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Location	Premises	Date Opened
Shanghai	Hotel	September 2008
Shanghai	Shopping mall	June 2009
Shanghai	Hotel	February 2010
Shanghai	Shopping mall	March 2010
Shanghai (two restaurants)	Temporary restaurants	May 2010 ⁽³⁾
Shanghai	Office and shopping complex	September 2010
Shanghai	Hotel	April 2011
Shanghai	Shopping mall	May 2011
Shanghai	Free standing building	May 2011
Shanghai	Shopping mall	June 2011
Shanghai	Shopping mall	July 2011
Shanghai	Shopping mall	August 2011
Shanghai	Office building	August 2011
Suzhou	Free standing building	September 2008
Suzhou	Shopping mall	April 2009
Nanjing	Shopping mall	September 2008
Nanjing	Free standing building	January 2011
Nanjing	Office and shopping complex	May 2011
Ningbo	Free standing building	January 2011
Ningbo	Shopping mall	May 2011
Ningbo	Shopping mall	June 2011
<i>Northern China (9 restaurants)</i>		
Beijing	Office building	November 2006
Beijing	Office building	May 2007
Beijing	Shopping mall	January 2009
Beijing	Shopping mall	June 2009
Beijing	Shopping mall	May 2010
Beijing	Shopping mall	December 2010
Dalian	Shopping mall	August 2009
Dalian	Shopping mall	February 2011
Tianjin	Office Building	October 2010
<i>Hong Kong (7 restaurants)</i>		
Hong Kong	Office building	January 2001
Hong Kong	Office and shopping complex	July 2005
Hong Kong	Shopping mall	October 2005
Hong Kong	Office and shopping complex	November 2007
Hong Kong	Shopping mall	November 2008
Hong Kong	Office building	December 2009
Hong Kong	Shopping mall	June 2011

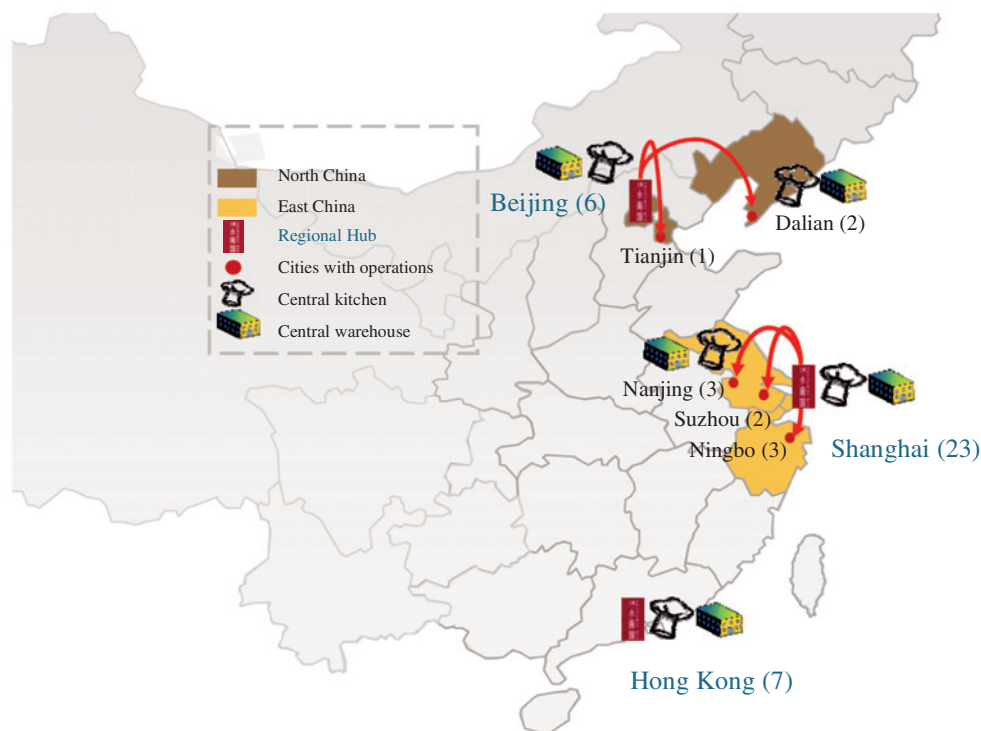
(1) Closed in December 2008 because the lease was not renewed upon expiration due to renovation of the premises.

(2) Closed in July 2008 because it was relocated to another floor in the same building in July 2008.

(3) Closed in October 2010 because they were two temporary restaurants operated during the World Expo.

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The following map of China shows our Shanghai Xiao Nan Guo restaurants, central kitchens and central warehouses in the PRC and Hong Kong by location, number of restaurants in each location and cities that function as regional hubs in our restaurant network as of the Latest Practicable Date.

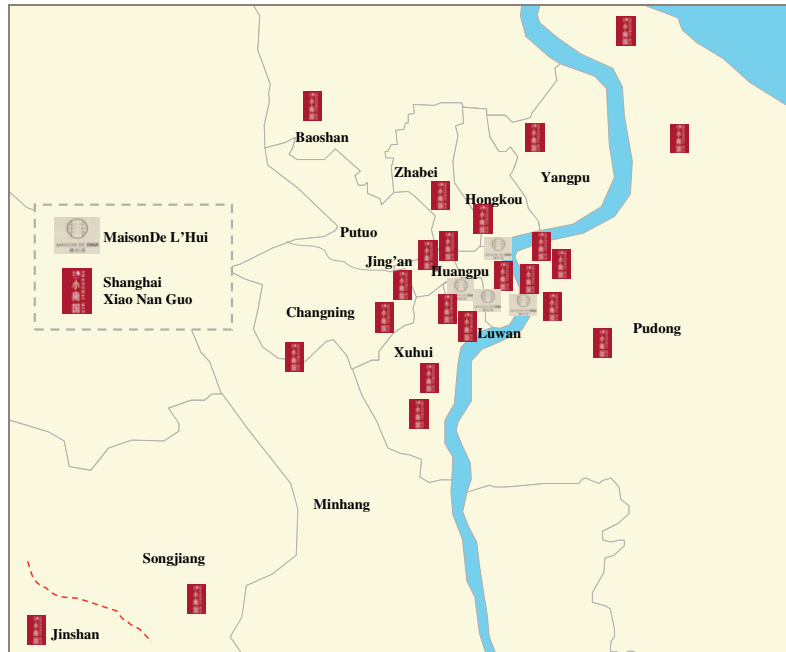


We owned and operated four Maison De L’Hui restaurants as of the Latest Practicable Date, all located in Shanghai. We currently intend to open an additional one and two Maison De L’Hui restaurants in 2012 and 2013, respectively. For more information on the locations of Maison De L’Hui restaurants, see “— Restaurant Brands — Maison De L’Hui”. The following table sets forth, by location, nature of premises and opening date of Maison De L’Hui restaurants in operation as of the Latest Practicable Date.

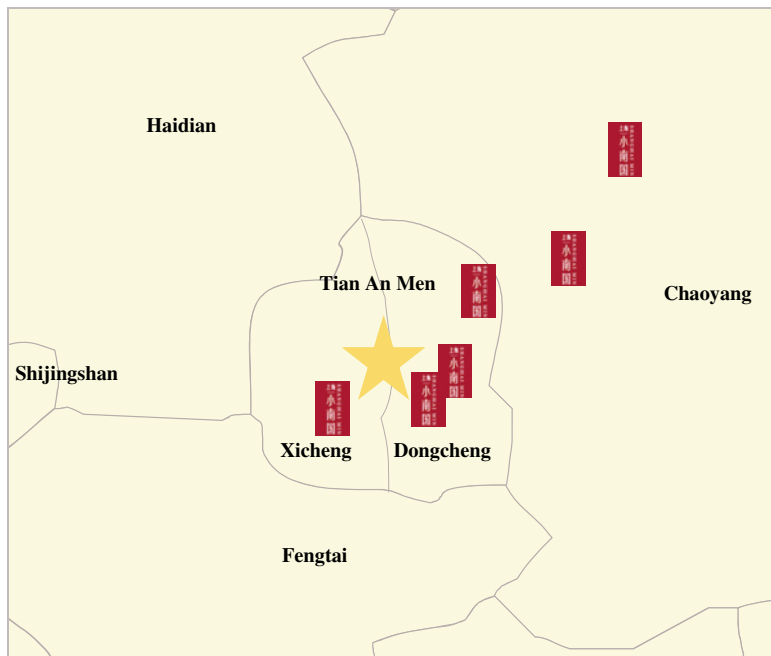
Location	Premises	Date Opened
Shanghai (2 restaurants)	Free standing buildings	June 2010
Shanghai	Free standing building	December 2010
Shanghai	Shopping complex	March 2011

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The following map of Shanghai shows our Shanghai Xiao Nan Guo restaurants in Shanghai and Maison De L'Hui restaurants by their locations in Shanghai as of the Latest Practicable Date.



The following map of Beijing shows our Shanghai Xiao Nan Guo restaurants by their locations in Beijing as of the Latest Practicable Date.



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The following map of Hong Kong shows our Shanghai Xiao Nan Guo restaurants by their locations in Hong Kong as of the Latest Practicable Date.



EXPANSION PLANS, SITE SELECTION AND DEVELOPMENT

As part of our strategy, we intend to continue expanding our restaurant network to strengthen our national presence. We have established a development department to coordinate and implement our expansion plans and new restaurant development. Our construction development is responsible for coordinating and supervising the decorating and refurbishment of new restaurants before openings.

Recent and Planned Expansion

We opened seven, six and eight Shanghai Xiao Nan Guo restaurants in 2008, 2009 and 2010, respectively. We also opened three Maison De L'Hui restaurants in 2010. We currently plan to open a total of approximately 21 Shanghai Xiao Nan Guo and Maison De L'Hui restaurants in 2011, including one Maison De L'Hui restaurant, which has already opened in March 2011, and 20 restaurants under the Shanghai Xiao Nan Guo brand. In addition, we are preparing to launch a pilot casual dining restaurant in Hong Kong under the brand of "the dining room" by the end of 2011. Our planned new restaurants are opened on a rolling basis, with the typical lead time from the commencement of site selection process to the opening of a restaurant being approximately six to nine months. In 2011, we have already opened 14 Shanghai Xiao Nan Guo restaurants by the Latest Practicable Date. In addition, we have entered into binding leases for the sites of six restaurants out of the seven remaining restaurants planned for 2011 (including the pilot restaurant under the brand of "the dining room"). Considering the cash flows generated from our operating activities and proceeds from our bank loans, including the Standard Chartered Onshore Facilities and Standard Chartered Offshore Facility, the Directors believe that the Company will have sufficient funds for our current expansion plan in 2011.

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We intend to open approximately 26 and 33 new restaurants in 2012 and 2013, respectively. Of the approximately 26 new restaurants planned for 2012, 24 restaurants will be under the Shanghai Xiao Nan Guo brand, with 1 Maison De L’Hui restaurant expected to be opened in Beijing and another restaurant planned under the brand of “the dining room”. Of the approximately 33 new restaurants planned for 2013, 28 restaurants will be under the Shanghai Xiao Nan Guo brand, with 2 Maison De L’Hui restaurants expected to be opened in Shanghai and Beijing and another 3 restaurants to be opened under the brand of “the dining room”.

We follow a disciplined growth strategy by seeking to balance increasing our market penetration at existing markets on the one hand and expanding into new markets on the other hand. To control and manage the inherent risks involved in expanding into new markets, the expansion plan for our restaurant network up to 2013 currently contemplates opening more restaurants in the existing markets than the new markets in each year. Our Shanghai Xiao Nan Guo restaurants planned for 2011 will increase our penetration of existing markets in eastern and northern China, including Shanghai, Beijing, Suzhou, Nanjing, Dalian and Tianjin, as well as Hong Kong. In addition, in 2011, we have expanded into Ningbo (initially supported through Shanghai), and we also intend to expand into new regional economic centers such as Shenzhen (initially supported through Hong Kong) and Wuxi (initially supported through Shanghai). With respect to our new restaurants planned for 2012 and 2013, we will continue opening more restaurants in our existing markets such as Shanghai, Beijing and Hong Kong, and expanding into a series of new markets in a disciplined manner, such as Hefei, Changzhou, Nantong and Qingdao in eastern Greater China, Shenyang and Taiyuan in northern Greater China, and Macau and Taiwan in southern Greater China.

The actual number, location and timing of new restaurant openings in any period will be affected by a number of factors and subject to a number of uncertainties. We may make necessary adjustment to the number, location and timing of planned new restaurant openings depending on the existing market conditions and status of pre-opening development and preparation for the relevant restaurants. See “Risk Factors — Risks Relating to Our Industry and Business — Opening new restaurants in existing markets may negatively affect sales at our existing restaurants” and “Risk Factors — Risks Relating to Our Industry and Business — Our future growth depends on our ability to open and profitably operate new restaurants”.

We currently expect the future Shanghai Xiao Nan Guo restaurants of an average size of approximately 1,800 square meters and seating capacity of approximately 250 guests, will require, on average, a total capital expenditure per restaurant of approximately RMB9.0 million to RMB13.0 million in 2011. This total capital expenditure primarily includes capitalized furniture, fixtures, equipment, and leasehold improvement for the restaurant. With respect to the estimated capital expenditure in connection with our expansion plan, please see the section headed “Financial Information — Indebtedness — Capital Expenditure and Capital Commitments”.

The Directors believe that we will benefit from the successful execution of our expansion plan of increasing penetration of existing markets and expanding into new markets, primarily because of

- *Increasing total sales.* The additions of new restaurants into our restaurant network are expected to increase the total sales of our Company.
- *Increasing market share.* According to the Euromonitor Report, mid- to high-end Chinese cuisine FSR chains in China are forecast to grow at a CAGR of 18.4% from 2011 to 2015. We believe that our expansion plan will help us to capture more market share in a fragmented but fast-growing market.

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- *Gaining advantage over competitors.* We believe that opening new restaurants in existing as well as new markets will help us to (i) secure premium locations ahead of our competitors, (ii) prevent the competitors from opening new units that may adversely affect the sales at our existing restaurants, and (iii) attract more customers from the competitors.
- *Increasing brand awareness.* An expanding restaurant network will increase our geographical presence, which we believe will help us to promote the brand awareness among the consumers; and
- *Increasing cost efficiency.* We believe that an expanding restaurant network will increase cost efficiency by (i) strengthening our bargaining power over our suppliers, and (ii) increasing our operating leverages.

We believe our scalable operational infrastructure will continue to successfully support the implementation of our expansion plan. We will continue to standardize and refine our operating procedures for all major functions, seek to attract qualified employees including restaurant staff and talents in operations management, invest in information technology, strengthen our product development capacities, and increase strategic cooperation with selected suppliers. For more details, please see the section headed “— Business Strategy — Continue to Strengthen Operational Infrastructure to Deliver Sustainable Growth”. We have also established training programs to ensure sufficient provision of well-trained employees for our newly opened restaurants. For more details, please see the section headed “— Employees — Training Programs”. By opening new central kitchens and expanding current central warehouses, we believe the centralized functions at our central kitchens and central warehouses will be strengthened to support our expanding restaurant network. For more details, please see the section headed “— Restaurant Operations and Management — Central Kitchens and Central Warehouses”.

Site Selection Process

We consider location to be a critical factor in determining a restaurant’s long-term success. Most of our existing restaurants are located in metropolitan areas and close to activity centers such as office buildings, shopping malls and hotels. We carefully consider potential markets and devote a substantial amount of time and effort to evaluating each potential restaurant site. The criteria we consider in developing our expansion plans and in selecting new restaurant sites includes:

- consumption preferences and population density of the local community, as well as the existence of a critical mass of our target customers;
- the presence of landmark properties and other activity centers generating traffic and consumption momentum;
- accessibility for pedestrians and vehicles;
- size of candidate site, lease economics and estimated return on investment;
- compatibility of business philosophy and strategy of property owner;
- availability of experienced management in the market; and
- proximity to other branches.

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Before each investment, we prepare feasibility studies to estimate required initial capital outlay, expected occupancy cost, depreciation, amortization and other operating costs and expenses, guest count, revenue, profit, operating cash-flow, investment return period and break-even period. We seek to maximize the total sales from our existing and new restaurants by trying to increase the frequency of visits from our existing customers and attract new customers from our competitors. We will not open a new restaurant if it is expected to materially impact the sales or guest traffic of our existing restaurants. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Opening new restaurants in existing markets may negatively affect sales at our existing restaurants”.

Before expanding into a new city, we conduct systematic evaluation of each potential new market, considering (i) the consumption pattern and market potential of the city, (ii) distance from the new market to our existing markets, and (iii) ability to source a sufficient number of restaurant management personnel. We generally select a location of medium size for our first restaurant in a new city, and allow for a slightly longer investment return period than restaurants in the existing markets.

We have established a site selection committee, including our chairlady, Ms. Wu Wen (who is one of our executive Directors), our chief executive officer and other senior management, to evaluate, inspect and approve each restaurant site prior to development. In addition, we have refined our site selection strategy over the years based on geographical region. In eastern China (such as Shanghai, Suzhou and Nanjing) and Hong Kong, where we have found a broad appeal to family and friend gatherings as well as business diners, we generally select restaurant sites located in a diverse mix of shopping centers and office buildings. In northern China (such as Beijing, Tianjin and Dalian), where our restaurants primarily cater to business clientele, we seek to locate our restaurants in close proximity to office buildings and government centers.

New Restaurant Development Procedures

The typical lead time from the commencement of site selection process to the opening of a restaurant is approximately six to nine months. Key steps in this process include the following:

- *Committee approval and lease negotiation.* Upon approval of a site by our site selection committee for a new restaurant, we commence negotiations with the lessor after we complete our due diligence investigations on the site. All of our new leases are subject to the final review and approval of our site selection committee. We generally require a new lease to have a term of approximately ten years. We also generally negotiate with the lessor for a rent-free period ranging from three to four months at the beginning of the lease term, when we engage contractors to renovate and decorate the premises.
- *Design and decoration.* Upon execution of a letter of intent with the lessor, our designers commence designing our restaurant interiors and exteriors. The design generally requires one to three months, varying based on the extent of special design features tailored to reflect the local tastes and preferences. We generally apply one of our established themes in the design process. See the section headed “ — Restaurant Brands — Ambience and Service”. We have established a separate team responsible for refurbishment and decoration of the premises for the new restaurant.
- *Pre-opening preparation.* Upon completion of refurbishment and decoration of the new restaurants, our operations personnel generally have one to two weeks to relocate restaurant management to the new sites, train restaurant staffs and finish other pre-opening preparations.

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RESTAURANT OPERATIONS AND MANAGEMENT

Pricing

At our Shanghai Xiao Nan Guo restaurants, we generally follow a set of benchmark prices for our menu items in all restaurants and allow for limited price differences. At our Maison De L’Hui restaurants, we adopt tailored menus for each branch featuring unique signature dishes. Key factors in determining the benchmark prices and pricing adjustments include:

- cost of the menu items;
- cost structure of restaurants and target margins;
- location and profile of the specific restaurant;
- extent of services provided;
- spending patterns of target customers; and
- prices set by competitors.

We charge appropriate service fee at selected Shanghai Xiao Nan Guo restaurants by considering the locations of restaurants, spending patterns of target customers and potential impact on our guest count. We currently charge a service fee at approximately 10% for Shanghai Xiao Nan Guo restaurants in Hong Kong and Beijing. A standard 10% service fee is charged at all Maison De L’Hui locations.

Settlement and Cash Management

To ensure the accuracy of guest check amount, we designate a selected group of trained employees at each restaurant to access and operate the point-of-sale system, provide continuous employee training about operating procedures and guidelines of our point-of-sale system, print on guest check details of customers’ orders (including adjustment to the amounts and prices of the dishes, if any) to facilitate review by restaurant staff and customers, and conduct internal review of selected transactions recorded in the point-of-sale system every week to identify irregularity or deviation from our standard operating procedures. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Any significant liability claims or complaints from our customers or adverse publicity involving our products or services could adversely affect our business and operations.”

A substantial majority of our guests pay by bank card at the time of sale, with the remaining portion of the guests primarily paying with cash. For more details, please see the section headed “Financial Information — Description of Selected Components of Results of Operations — Revenue”.

To prevent misappropriation and illegal uses of cash, we have implemented the following measures to strengthen our cash management system:

- cash received at a restaurant (after a reasonable reserve amount has been deducted) are delivered to the banks for deposit every working day;
- our restaurants use computerized point-of-sale systems to generate daily sales reports, which are reconciled on a daily basis with the sales receipts, including cash receipts and bank card receipts, collected by the cashiers;

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- our enterprise resource planning system provides operating reports for each restaurant that allow us to monitor the restaurant sales and cash received on a centralized basis; and
- our enterprise resource planning system also tracks the deposit account statements, which are reconciled by our headquarter personnel with the sales reports from the restaurants.

During the Track Record Period, we did not experience any misappropriation of cash by our employees, customers, or other relevant third parties that had any material adverse impact on our business and results of operations.

Restaurant Management System and Structure

Operations standardization

We have established a scalable business model by developing and implementing standardized operations, which we believe distinguishes us from competing full-service restaurant companies in China. We have implemented a set of standard operating procedures for each of our operating and administrative functions, including waiting staff, cashier, floor manager, restaurant general manager and chef, such as the Xiao Nan Guo Operating Standards Manual (《小南國營運標準手冊》), Restaurant General Manager Development Manual (《店總發展手冊》) and General Chef Development Manual (《廚師長發展手冊》).

Our standardized management system is further extended to our food preparation and cooking process. At our central kitchens, the duties of each chef are designed to be highly specialized. For example, our chefs specializing in cold dishes at the central kitchens are separate from those preparing desserts. In addition to improving work efficiency and ensuring quality consistency of food, this high degree of specialization helps us to protect our proprietary recipes and cooking methods, and shorten our training cycles for chefs.

Operational excellence department

A key component of our standardized operations is our establishment of an operational excellence department of approximately ten employees in the first half of 2010, with responsibilities in the following:

- coordinating formulation of and refining standardized restaurant operating procedures, such as our Xiao Nan Guo Operating Standards Manual (《小南國營運標準手冊》);
- coordinating formulation of and improving restaurant management systems, which cover a wide range of restaurant management functions such as training, staffing, food hygiene and safety, repair and maintenance, quality management, inventory management, sales and profit management; and
- establishing an internal supervision system and mystery guest program to inspect the daily implementations of operating procedures and management systems by our restaurants and provide feedbacks to them.

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Management structure

Our management structure is designed to promote efficiency in supervising, directing and supporting our operations, quality assurance systems, recruitment processes and training programs in different geographic regions:

- *Headquarters management.* The overall management of our business and operations is conducted at our headquarters in Shanghai. Our headquarters is both responsible for the corporate and administrative oversight of our organization and operational management and supervision, such as financial planning and analysis, information technology systems development, new restaurant openings, management-level recruitment, central procurement and sales and marketing.
- *Regional management.* Our operations are currently divided into three geographic regions: eastern China, northern China, and southern China and Hong Kong. Our vice president responsible for operations and human resources, Ms. Shao Shan, oversees restaurant operations in the three regions. Our regional management teams supervise sub-regional management teams within each region, which in turn are in charge of overseeing the day-to-day operations of the restaurants in the sub-region under its management. Our regional management teams also include supporting departments, such as kitchen management, human resources, accounting and training, to assist the management of restaurants within each region.
- *Management of restaurant kitchens.* Our chief chef's office at the headquarters formulates and supervises the implementation of standardized operation procedures manual and food standards manual, which are issued to the general chefs in each region and chefs of each restaurant kitchen. With the assistance of the general chefs in each region, our chief chef's office also monitors any quality issue reported by the restaurant kitchens in connection with supplies of food ingredients, foods processed by central kitchens or dishes served to guests. In addition, our chief chef's office inspects and controls the purchase requests from restaurant kitchens for utensils and equipment, food hygiene and safety in restaurant kitchens, and quantity and cost of food ingredients consumed in restaurant kitchens.
- *Restaurant-level management.* Each of our restaurants is operated and managed by its own restaurant management team. The number of employees at each restaurant varies based on the sales volume of that particular restaurant. We delegate certain management decisions, such as ordering fresh seafood and alcoholic beverages, to our restaurant management teams, with a view to enhancing flexibility in responding quickly to changing market demands.

Central Kitchens and Central Warehouses

We have been able to successfully apply the concept of central kitchens and central warehouses to operating full-service mid- to high-end Chinese restaurants.

Central kitchens

Central kitchens are food production facilities that centralize the production and distribution of semi-processed food, and prepare the proprietary seasonings and spices used in our dishes. We commenced to use central kitchen approximately ten years ago, which was then located in one of our restaurants in Shanghai. Our current largest central kitchen is a free-standing facility of approximately

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2,100 square meters located in the suburban Shanghai, while each of all other central kitchens is located in one of our restaurants. The size of our central kitchens ranges from approximately 200 to 2,100 square meters, based on the number of restaurants they service. As of the Latest Practicable Date, we have established five central kitchens in Shanghai, Beijing, Hong Kong, Nanjing and Dalian, respectively, serving all of our 51 restaurant locations in total. We currently plan to open a new central kitchen in Shenzhen in 2011 and another central kitchen in Shenyang in 2012 to service the planned new restaurants. The establishment of a new central kitchen primarily depends on the coverage radius of our existing central kitchens.

Key benefits from the use of central kitchens include:

- *Quality consistency across different locations.* By consolidating a significant portion of our food preparation procedures into central kitchens, we are able to standardize significantly the food preparation process and thus ensure quality consistency of food across different locations.
- *Economies of scale.* We benefit from greater food production efficiency through higher economies of scale in production, such as task specialization among chefs at central kitchens, less reliance on restaurant-level kitchen staff and economic use of food ingredients and other supplies.
- *Rapid cluster-growth process.* Our restaurant network is capable of generating rapid cluster-growth by leveraging the central kitchens, which reduce our reliance on restaurant kitchens and chefs and thus accelerate restaurant openings within the radius coverage of a central kitchen.
- *Protection of intellectual property.* The use of central kitchens helps us to protect our proprietary know-how, recipes, trade secrets and other intellectual property by reducing the number of employees having access to such intellectual property. Higher task specialization allows every chef at central kitchens to access only certain components of a recipe, which in turn reduces the risks of leakage.

Our restaurants issue production orders to the central kitchens every afternoon through our enterprise resource planning systems. Each restaurant may issue a supplementary production order at early evening if its post-dinner inventory level is lower than expected or there has been unexpected increase in reservations for the next day. Deliveries from central kitchens to our restaurant locations are made primarily using outsourced truck delivery services. Deliveries are made on a daily basis with special compartmentalized food delivery trucks, generally late at night or in the early morning to ensure freshness of food.

Our central kitchen located in Shanghai also services Xiao Nan Guo Da Wei Lai, the Chinese food delivery business, and the Spa Business, both controlled by Ms. Wang. For further details, see the section headed “Connected Transactions — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions Subject to Reporting and Announcement Requirements — Framework Food Procurement and Processing Agreement”.

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Central warehouses

Central warehouses are inventory storage facilities that centralize the storage and distribution of food ingredients and other supplies used at our central kitchens and restaurants. Except the frozen goods warehouse in Hong Kong as described below, our central warehouses are also responsible for consolidating purchase orders from our restaurants and purchase en masse the required food ingredients and other supplies. The suppliers deliver the ordered goods to the central warehouses, where our employees inspect the quality of the goods in accordance with our formulated quality standards before acceptance. Our employees at warehouses monitor the shelf lives of various inventory and distribute the required food ingredients and other supplies to the central kitchens or restaurants via third party logistics service providers.

As of the Latest Practicable Date, we had five central warehouses in Shanghai, Beijing, Dalian, Nanjing and Hong Kong, respectively. The central warehouse in Shanghai commenced operations in 2010, located close to our largest central kitchen in Shanghai. The central warehouses in Beijing and Nanjing are located in one of our restaurants, respectively. Our current central warehouse in Hong Kong primarily comprises a frozen goods warehouse leased from and operated by an Independent Third Party. The central warehouse in Dalian was opened in March, 2011, located in one of our restaurants in the city. The size and capacity of a central warehouse is generally determined based on the number and size of restaurants serviced. We currently intend to expand the size and capacity of the central warehouse in Beijing in 2012.

Key benefits from the use of central warehouses include:

- *Economies of scale.* Our central warehouses improve supply chain efficiency by centralizing the purchase of food ingredients and other supplies, which helps us to secure supply agreements ranging from one month to one year with pre-determined prices for key food ingredients such as cooking oil, herring, mushroom, pigeon and crab.
- *Reduced inventory management expenses.* The use of central warehouses helps us to reduce inventory management expenses by consolidating the inventory storage, monitoring and logistics functions.
- *Strategic stockpiling.* The use of central warehouses facilitates management of our strategic stockpile of seasonal food ingredients and supplies, which may also provide protection against market for food ingredients with wide price fluctuations.
- *Centralized quality control.* We achieve a significant degree of centralization of the quality inspection and acceptance functions by using central warehouses. We are able to apply consistent quality inspection and acceptance standards at central warehouses, which help to ensure consistent quality of food ingredients and supplies.
- *Standardized operation model.* The standardized operation model of central warehouses is easy to replicate in strategic hubs of our restaurant network.

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PRODUCT DEVELOPMENT

We target a wide range of guests, including families, special occasion diners and business clientele. We seek to develop new seasonal menu items and refine our signature and core dishes to exceed our guests' expectations and attract new guests. Our menus are modified based on the changing taste of guests, shifting food trends, nutrition trends and feedback from our guests.

We have established a project-based product development system under which we continuously develop new dishes as development projects. We have built a pool of reserve dishes through our continuous product development efforts over the years. Each of our product development projects generally requires six to nine months and primarily consists of the following key steps:

- *Project proposal* . The development process commences with our product development team gathering consumer demand information, conducting market research and preparing project proposal for the new project. In addition to taste, our project research report also takes account of commercial viability of the dishes by considering the target price, sales volume, gross margin and appeal to our guests.
- *Committee approval*. The project proposal will be reviewed for approval by our product committee, comprising chief executive officer, chief chef and the heads of our procurement and product development departments. Our product committee and Ms. Wang will meet periodically and evaluate and approve the proposed dishes.
- *Recipe and procurement*. After our product committee and Ms. Wang approve the new dishes in the project, our product development department will compile a standard recipe setting forth the seasonings, spices and other ingredients needed for the dish. Our purchase department appoints the appropriate suppliers for the food ingredients used, the chief chef's office measures the cost of ingredients used, and pricing will be finally approved by our chief executive officer.
- *Test launch and launch*. Before launching a new dish in all restaurants, we may conduct a test launch in certain selected restaurants. We may adjust the scale of our production plan for the new dish based on the sales volume it generates during the test launch. We continue to track the sales volume and collect feedback from our guests after the official launch, which help us to assess the level of market acceptance to the newly introduced menu item.

MARKETING AND PROMOTION

Our marketing and promotional efforts are designed to help us to increase sales by attracting new guests, increasing frequency of visits of existing guests, helping newly opened restaurants achieve financial targets, and promoting the image and recognition of our Shanghai Xiao Nan Guo and Maison De L'Hui brands among their respective target customers. In addition to our internal marketing personnel, we also engage outside marketing and public relations consulting firms to assist our various marketing campaigns.

We have a large customer base. Our revenue derived from our five largest customers accounted for less than 30% of our total revenue for each of the three years ended December 31, 2010 and the five months ended May 31, 2011.

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Promotional Campaigns

Our promotional campaigns generally focus on promoting the sales of newly opened restaurants and under-performing restaurants, as well as sales during down seasons. Our marketing department prepares annual plans and schedules setting out the expected promotional campaigns for our restaurants. We take into account factors such as seasonality, nature of the premises, spending patterns and consumer preferences of different regions to tailor each campaign to the requirements of each restaurant.

We differentiate our marketing and promotion strategy between existing customers and potential customers. For existing customers, we may provide discounts on a selective basis to increase the frequency of their visits. To attract new customers, we collaborate with various credit card companies and consumer internet websites to access their established and premier membership network by offering promotions to their members. These credit card companies and internet websites are responsible for communicating our promotional initiatives to their members. We select our partners in these collaborative efforts based on the profile of their members, including level of income and frequency of dining out for business, social or special occasions. We believe that these collaborative efforts enable us to direct our marketing efforts to a highly targeted group of potential customer base in a cost-effective manner.

Our promotional campaigns for newly opened restaurants aim to reduce the ramp-up period required for a new restaurant to reach the expected performance level. For new restaurant openings in new markets or existing markets where we have little market presence, we focus on promoting the brand awareness in the market. For new openings in existing markets with relatively high level of market penetration, our marketing efforts emphasize the decor and ambience of the new restaurants. Our promotional techniques generally include the following:

- targeting various lifestyle and leisure-related conventional media channels to introduce our brand, cuisine, ambience and service of our restaurants;
- issuing press release and organizing media gatherings in relation to new restaurant openings and brand building events such as new product launches;
- utilizing new technologies, such as mobile text and image messaging, to distribute promotional information and pictures of core dishes to reach target customers;
- advertising on outdoor billboards within local community or near activity centers of target customers, such as office buildings and high-end residential districts;
- organizing customers voting on popular signature dishes to promote brand awareness; and
- visiting target corporate customers, preparing a list of potential VIP corporate customers based on the visits, and continuously communicating with the potential VIP corporate customers to develop them into a loyal customer base generating stable sales.

Customer Relationship Management System

We established membership programs for Shanghai Xiao Nan Guo restaurants in September 2009 and Maison De L'Hui restaurants in 2010. These membership programs, as the platform for our customer relationship management system, help us to locate and attract new guests, nurture and retain existing guests, and re-connect with former guests.

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Under our membership programs, we invite the guests to fill out information forms before we issue membership cards to them. The guests accumulate credits on their cards when they dine at one of our restaurants. We may also deposit free credits into their cards to promote consumption at our new restaurant openings, during down seasons, or on guests' birthdays or other special occasions. The guests may redeem the credits during the next visit by converting them into pre-determined discounts. The membership program has attracted more than 70,000 members as of May 31, 2011, and revenue contribution from our guests using membership cards in the five months ended May 31, 2011 accounted for 31% of our total revenue during the same period.

In contrast to some of our competitors that use membership programs primarily to promote sales, we analyze a variety of customer information collected through our membership program including identities of the guests, frequency of visits, locations of restaurants visited, amounts of the checks and menu items ordered. Our customer relationship management personnel conduct weekly and monthly analysis of the collected data to ascertain consumption patterns and fluctuations. We utilize these weekly and monthly reports by facilitating targeted marketing efforts and adjusting our menu offerings and services accordingly.

Pre-payment of Our Customers

The members under our membership programs may make prepayment into their membership cards and use the cards for payments at our restaurants. In addition, we issue pre-paid gift cards to our guests that can be used at our restaurants located in pre-determined cities. Pre-payments made by our customers into the membership cards or in exchange for the pre-paid gift cards represent advances from customers, which are recorded as part of our other payables and accruals in our consolidated statements of financial position. The balance of such advances from our customers was RMB28.8 million, RMB36.3 million, RMB44.6 million and RMB43.4 million, respectively, as of December 31, 2008, 2009 and 2010 and May 31, 2011. For more details, please see Note 25 to the Accountants' Report set out in Appendix I to this prospectus. Such pre-payments will not be recognized as our revenue until the customers pay for our foods and services using the balance in their membership cards or pre-paid gift cards. There is no redemption period for the pre-payments in our membership cards or pre-paid gift cards. For more details on our revenue recognized from such pre-payments during the Track Record Period, please see the section headed "Financial Information — Description of Selected Components of Results of Operations — Revenue".

Our PRC legal adviser has advised us that (i) our programs of pre-paid gift card and membership card do not violate relevant PRC laws, (ii) we are not obliged to notify the government authorities of the programs, and (iii) we will not be subject to any administrative actions or other sanctions by relevant PRC authorities due to the programs. The relevant PRC laws forbid individuals or entities to print or issue "tokens" as a substitute for the Renminbi, the official currency of the PRC. Our PRC legal adviser has advised us that, according to the *Circular on Nature of Pre-paid Gift Card* issued by PBOC in July 2000 (《中國人民銀行關於對購物卡性質認定的函》), the defining features of such "tokens" under PRC laws include, among other things, (i) "tokens" are accepted as a general medium of exchange for unspecified goods and services, and (ii) "tokens" are not registered and cannot be claimed as lost. Our membership cards are registered by the cardholders and can be claimed as lost. Our pre-paid gift cards can not be used as a general medium of exchange to purchase any goods or services, except that the cardholders may use the cards for payments at our restaurants located in pre-determined cities. As a result, our PRC legal adviser has advised that our membership cards with

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prepayment and the pre-paid gift cards do not fall into the scope of “tokens” prohibited under the *Emergency Notice on Prohibition of Issuing and Using Tokens (or Token Cards)* (《關於嚴禁發放使用各種代幣券(卡)的緊急通知》) promulgated by relevant PRC authorities on January 19, 2001 and other relevant PRC laws.

According to the *Administration Measures for Payment Services provided by Non-financial Institutions* (《非金融機構支付服務管理辦法》) issued by PBOC in June 2010 and the *Implementation Rules of Administration Measures for Payment Services provided by Non-financial Institutions* (《非金融機構支付服務管理辦法實施細則》) issued by PBOC in December 2010 (collectively, “PBOC Payment Services Rules”), an issuer of pre-paid card shall apply for and obtain before September 1, 2011 a payment service license issued by PBOC, unless the merchant accepting the pre-paid card and the issuer are of the same legal entity. Our PRC legal adviser has advised us that the PBOC Payment Services Rules do not apply to our programs of membership cards with prepayment and pre-paid gift cards, because (i) our programs are part of our marketing and promotion efforts instead of provisions of payment service for profit, and (ii) our subsidiaries that issued the relevant cards did not act as the intermediate agencies to provide fund transferring services to other subsidiaries that accepted the relevant cards, and vice versa. We verbally consulted the relevant authorities in June 2011, which confirmed that the PBOC Payment Services Rules did not apply to our programs of pre-paid gift card and membership card and we were not required to apply for and obtain a payment service license.

Furthermore, in accordance with the *Notice of the General Office of the State Council on Forwarding the Opinions of People’s Bank of China, Ministry of Supervision and Other Ministries and Departments on Administration of Commercial Pre-paid Cards* (《國務院辦公廳轉發人民銀行監察部等部門關於規範商業預付卡管理意見的通知》) issued by the General Office of the State Council of the PRC on May 23, 2011 (“Commercial Pre-paid Cards Notice”), the issuance of the general-purpose pre-paid cards, which may be used across different regions, industries or legal persons, are subject to the examination and approval of PBOC based on the PBOC Payments Services Rules. With respect to specific-purpose pre-paid cards, which may only be used to purchase goods or services from the issuer or other enterprises under the same franchise or brand with the issuer, the Commercial Pre-paid Cards Notice decrees that the competent authorities shall issue administrative measures in an appropriate time and manner to properly regulate such specific-purpose pre-paid cards. Our PRC legal adviser has advised us that (i) the Commercial Pre-paid Cards Notice is applicable to us, and our membership cards and pre-paid gift cards issued fall under the category of specific-purpose pre-paid cards, and (ii) as of the Latest Practicable Date, there was no regulation, notice or decree issued by any competent PRC authorities requiring an issuer of specific-purpose pre-paid cards to obtain any government filing or approval under the Commercial Pre-paid Cards Notice.

The Commercial Pre-paid Cards Notice also requires an issuer of commercial pre-paid cards (i) to set up a registration system for cardholders of (x) all registered cards and (y) bearer cards above a certain threshold amount, (ii) to require bank account transfer for any one-time card purchases above a certain threshold amount, and (iii) not to issue pre-paid cards of a certain maximum face amounts. The General Office of the Ministry of Commerce issued a Notice on the Implementation of the Opinions on Administration of Commercial Pre-paid Card (《關於貫徹落實規範商業預付卡管理意見的通知》) on August 1, 2011, and a Notice on Launching a Specific Inspection on Specific-Purpose Pre-paid Cards (《商務部辦公廳關於開展單用途預付卡專項檢查工作的通知》) on August 15th, 2011, both of which became effective as of their respective issuance date (collectively, the “MOC Notices”). The MOC Notices reiterate the necessity of complying with the aforementioned requirements and require the local MOC authorities to launch an initiative to inspect the major issuers of the

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specific-purpose pre-paid cards. The inspection initiative commenced from August 20, 2011 and is expected to last until October 31, 2011. The issuers of specific-purpose pre-paid cards are required to carry out self-examination and implement remedial measures, if necessary, before September 30, 2011. We are in the process of improving and adjusting our internal system in accordance with the requirements set forth in the Commercial Pre-paid Card Notice, and expect to fully comply with such requirements before the Listing.

Banquet Offerings

We host banquets for wedding ceremonies, corporate events and other special occasions. Our banquet offerings include customized menu, spacious accommodation, experienced event coordinator and attentive services. To promote our banquet offerings, we established a banquet sales team in the end of 2009 to coordinate the banquet sales efforts among our restaurants. We intend to continue promoting our banquet offerings through the following measures to benefit from the scale, high average check per guest, efficiency of reservation and brand-building opportunities of these events:

- *Promoting wedding banquets.* We cooperate with reputable wedding planning companies and hotels to provide one-stop wedding services and distinguish ourselves from competing restaurants. We also participate in reputable bridal and wedding shows to increase customer awareness of our wedding banquet services;
- *Attracting large and high-profile tourist groups.* We cooperate with prestigious tourist agencies to attract large and high-profile tourist groups;
- *Targeting corporate customers.* We maintain long-term customer relationship with potential corporate customers to host corporate events such as annual corporate dinners; and
- *Promoting family events offerings.* We build promotional offerings for family events, such as birthday parties and anniversaries, into our marketing efforts to increase market awareness of our banquet offerings and attract more retail customers.

As part of our marketing efforts targeting special occasions, we operated two restaurants within the World Expo park in Shanghai from May 2010 to October 2010. The purpose of the temporary restaurants was to capture the market opportunity presented by the high traffic of visitors to the park as well as to promote our brand to the visitors from around the world. In addition, our banquet sales team proactively approached potential corporate customers that might host corporate banquets in the World Expo park, to promote our banquet offerings by providing customized services.

Call Center

We have developed a centralized call center with services and functions that we believe distinguish us from our competitors. We were awarded one of the Golden Headset Awards for Best Contact Center in China (中國最佳呼叫中心金耳嚙大獎) by CCMWorld Group (客戶世界機構) in 2010 and 2011, respectively, which was a third party Chinese research and development agency focusing on customer care and management. Other recipients of the awards include call centers of Fortune 500 companies and large-scale Chinese state-owned enterprises. We were the first Chinese full service restaurant company to receive this award.

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Our call center primarily provides the following services or functions:

- *Receiving inbound reservation calls.* All customers may call the same 400 telephone number to make restaurant reservations at any of our Shanghai Xiao Nan Guo restaurants in China and any Maison De L'Hui restaurant; during the call, we provide the caller with other information such as new openings, locations and capacities of relevant restaurant; and
- *Processing customer complaints.* Our call center will process customer complaint in China and pass the complaint to the general manager of the relevant restaurant to follow up. The general manager will contact the customer and try to address the complaint within 12 hours. Our call center will call back the relevant customer after the complaint has been dealt with to ensure customer satisfaction. The complaint, our response and outcome are recorded and filed internally by our customer relationship management team. We have set up a customer compliant hotline in Hong Kong, and the guests in Hong Kong may also provide on-site feedback to our restaurant general manager.

During the Track Record Period, we received an insignificant number of customer complaints with respect to our restaurants in China and few complaints with respect to restaurants in Hong Kong, considering the size of our restaurant network and the guest traffic at our restaurants. For more details about our restaurant network and guest traffic, please see the sections headed “Financial Information — Key Factors Affecting Our Results of Operations — Restaurant Openings and Closings” and “Financial Information — Key Factors Affecting Our Results of Operations — Guest Traffic and Average Check per Guest”. Based on our internal written record, we recorded 30, 33, 21 and 11 customer suggestions or complaints with respect to our restaurant operations in the PRC and Hong Kong for the three years ended December 31, 2010 and five months ended May 31, 2011, respectively. The complaints were generally regarding availability of reservation, taste and style of a particular dish, and the service quality of restaurant staff. We are not aware of any incidence of customer complaint claiming material compensation that could have material adverse effect on our business and results of operations during the Track Record Period and up to the Latest Practicable Date. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Any significant liability claims or complaints from our customers or adverse publicity involving our products or services could adversely affect our business and operations.”

PURCHASING

Our ability to maintain consistent high quality throughout our restaurants depends in part upon the ability to procure the highest quality food ingredients that are commercially available. We have adopted procurement strategies for all of our product categories that include contingency plans for key products, ingredients and supplies. During the Track Record Period, we did not experience any interruption of the food ingredients supply, early termination of supply agreements, or failure to secure sufficient quantities of irreplaceable food ingredients that had any material adverse impact on our business and results of operations.

Supplier Management

We purchase food and supplies from more than 200 suppliers. Before making any material purchase from a new supplier for food ingredients with relatively high risk of contamination, we examine samples of food ingredients provided by the supplier candidate and conduct on-site inspections of the supplier candidate's production facilities. During the on-site inspection, we evaluate the supplier's implementation of hazard analysis critical control points (HACCP), the supplier's

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quality control, its production facilities and pest controls, its control of raw materials and finished goods, manufacture process control, product recall and tracing system, quality inspection, hygiene control and employee management. If a candidate passes our inspection and commences to supply high risk food ingredients of material volume, we will continue to conduct annual on-site review of the particular supplier. We did not engage any third party inspection or testing agencies to conduct such on-site inspection during the Track Record Period.

We conduct an annual review of the quality and amount of purchases from each supplier, and issue different levels of supplier accreditation accordingly. A supplier's accreditation will also be affected by the timeliness, completeness, reliability and responsiveness to contingency of its delivery of the food ingredients ordered by us. The suppliers with higher accreditation will be preferred over those with lower accreditation in our procurement. With respect to our operations in Hong Kong, we have been following a set of standardized supplier management procedures comprising, among other things, a weekly meeting among the management personnel of the kitchen department of each of the restaurants, representatives from our procurement team and other senior management personnel of our operations in Hong Kong. The participants of the meeting examine and discuss, among other things, the price, quality, stability and delivery of the food ingredient provided by a key supplier candidate or existing key supplier. Particularly, the quality of the food ingredient is assessed on a blind-test basis. Any decision in relation to selection or replacement of a key supplier requires a majority vote by all participants.

Our quality assurance personnel may provide necessary training to our suppliers to ensure the food and supplies delivered meet the specified standards. Additionally, we emphasize the production sources of the food ingredients to help to ensure the quality and healthiness of the ingredients. We manage our suppliers and procurement strategy based on the categories of food and supply, which primarily include the following:

- *standardized food and supplies*, including seasoning, alcoholic and non-alcoholic beverage. Because of our greater ability in controlling quality during the procurement process for these items, we procure standardized food and supplies through a limited number of distributors rather than purchasing directly from a diverse range of producers;
- *highly specialized and high-value food*, such as river shrimp, crab, prawn, herring and abalone. Because of the specialized standards and relative high value per item, we adopt a centralized procurement strategy for these foods by primarily purchasing directly from selected suppliers that have established stable and long-term relationship with us; and
- *fresh produce*, such as vegetable and fruit. These foods are supplied from the local sources as they are locally available and would be otherwise more costly to transport over long distances.

In 2008, 2009, 2010 and the five months ended May 31, 2011, purchases from our largest supplier accounted for 13.0%, 14.6%, 15.4% and 13.1% of our total purchases of the relevant period, respectively, and purchases from our five largest suppliers accounted for 33.2%, 36.8%, 33.9% and 32.6% of our total purchases of the relevant period, respectively. None of our Directors, their respective associates or any of our Shareholders holding more than 5% of our issued share capital had any interest in any of our five largest suppliers in the three years ended December 31, 2010 and the five months ended May 31, 2011. We normally settle trade payable obligations with respect to our suppliers within 30 days after receipt of the invoice.

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Purchase Cost Control

Our contracts with suppliers typically provide for either fixed or variable pricing based on an agreed upon cost-plus formula. The term of the contract varies based on the volatility of the market price. Our supply contracts for fresh produce, high-end alcoholic beverages and aquatic food, including seafood and freshwater fish and shrimp, are generally set on a floating basis to track the market price. Leveraging our centralized purchasing function, we have successfully secured a number of supply contracts ranging from one month to one year with pre-determined prices for key food ingredients such as cooking oil, herring, mushroom, pigeon and crab.

Food and beverage costs, as represented by cost of inventories consumed, accounted for 37.7%, 35.5%, 34.1% and 33.8% of our revenue for 2008, 2009 and 2010 and the five months ended May 31, 2011, respectively. We currently do not engage in futures contracts or other financial risk management strategies against potential price fluctuations in food costs. For a discussion of the historical price fluctuations of the major food ingredients used in our restaurant operations, please see the section headed “Industry Overview — Market Trends for Major Food Ingredients used by Asian Cuisine FSR”. We may not be able to anticipate and react to changes in food costs in a timely manner or at all, including through our purchasing practices and menu price adjustments in the future. See “Risk Factors — Risks Relating to Our Industry and Business — Our operations are susceptible to increases in our purchase costs of food ingredients, which could adversely affect our margins and results of operations”.

Purchasing Procedures and Management

We have established internal review and approval procedures for all purchase orders, including the centralized purchases made through our central warehouses and localized purchases made by the restaurants. Particularly, approval from our purchase management committee, including our chairlady, chief executive officer, chief chef and other senior management members, is required for material matters, such as purchase orders of substantial value, purchases from new suppliers and termination of any key supplier.

Upon delivery of the food ingredients and supplies, our designated quality inspection personnel conduct quality inspection before acceptance. We have separated the various supply chain functions, including supplier selection, price determination, issuance of purchase order and inspection and acceptance, to different department and personnel, which we believe help to secure our effective control over supply chain.

With respect to our operations in Hong Kong, we commenced consolidating the purchasing functions in Hong Kong into our Group’s overall enterprise resource planning system in early 2011. The consolidation was completed in May 2011, and our purchasing functions in Hong Kong have been managed through our Group’s overall enterprise resource planning system since June 1, 2011. We are in the process of implementing centralization initiatives with respect to the material purchasing decisions in Hong Kong, which would require approval from our purchase management committee at our headquarters for all material purchasing decisions, such as selection of a new supplier and purchases of more than RMB0.5 million per annum for any food ingredient. We completed the implementation of such centralization initiatives in August 2011.

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QUALITY CONTROL

We strive to maintain quality and consistency in our restaurants through training and supervision of personnel and the establishment of standards relating to food preparation, maintenance of facilities and conduct of personnel. Our quality control systems primarily comprise quality controls in supply chain, central kitchens and restaurants.

We established a food safety committee in May 2011 to supervise and coordinate the various aspects of our quality control system with respect to food safety issues across our departments and restaurants. The members of the committee include, among others, Mr. Kang Jie, our chief executive officer, Mr. Pan Qin, our chief chef, Mr. Du Yu, our senior director responsible for supply chain related matters, Mr. Guan Zhenyu, our senior director responsible for product development and strategic analysis related matters, and mid-level management from the relevant departments. For biographical details of our senior management personnel, see the section headed “Directors and Senior Management — Senior Management”. Mr. Pan Qin, our chief chef, is in charge of the daily activities of the food safety committee. Our food safety committee is primarily responsible for, among other things, (i) formulating internal policies and guidelines for food safety issues, (ii) supervising and coordinating the food safety controls across our supply chain, central kitchens, logistics and restaurants, (iii) evaluating and identifying critical control points with respect to high risk food ingredients, and setting up corresponding monitor and alert system designed to proactively forestall any food contamination, and (iv) facilitating communication with the government authorities overseeing our Company’s food safety controls.

Supply Chain Quality Control

All of our suppliers are required to comply with the national or our internal quality standards with respect to packaging, labeling, transportation and storage of food ingredients and other supplies, whichever is more stringent. We conduct annual reviews of the quality and amount of purchases from each supplier and issue supplier accreditation accordingly. For more details, see “ — Purchasing — Supplier Management”.

We have a team of designated quality inspection personnel, comprising approximately 17 members as of the Latest Practicable Date, responsible for conducting strict quality inspections of all food ingredients and other supplies before accepting deliveries from suppliers. The majority of our supply chain quality inspection team have more than five years of work experiences and many have tertiary education background in fields related to food science. Seven members of the team have obtained various professional certificates related to quality assurance and inspection, such as ISO22000 internal auditor certificate issued by third party training center and food inspection professional qualification certificate issued by the local human resources government agency in the PRC. We have formulated more than 150 quality inspection standards for different categories of food ingredients and other supplies, which lay out specific inspection standards such as color, smell, taste and shape. Our supply chain quality inspection team employs various testing tools such as salinometer, infrared moisture meter, infrared thermometer, refractometer and pesticide residue rapid detector.

We have adopted hygiene standards with respect to the inventory management process at our central warehouses and storages at restaurants. The hygiene and quality of food ingredients are closely monitored by trained personnel.

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Central Kitchen Quality Control

We apply the food safety and quality management principles embodied in the various quality standards issued by International Organization for Standardization in our central kitchen quality control system.

Each of our central kitchens has quality assurance personnel implementing quality control policies and procedures, primarily including:

- *Inspection of food ingredients and other supplies.* The quality assurance personnel inspect the quality of all food ingredients and other supplies accepted by the central kitchen in accordance with our formulated quality inspection procedures and standards.
- *Operation quality control.* The quality assurance personnel and production personnel jointly supervise the quality control at each stage of food processing. Any in-progress foods that are not compliant with our formulated food processing procedures and requirements will be either re-processed or scraped.
- *Product quality control.* The quality assurance personnel conduct sample testing and examination of the produced foods before the produced foods are transported to our restaurants.
- *Food safety and hygiene.* We have formulated and implemented Good Manufacturing Practices and Sanitation Standard Operating Procedures for our central kitchens to ensure food safety and hygiene.

Our largest central kitchen, located in the suburban Shanghai, has a specialized quality inspection team. As of the Latest Practicable Date, there were approximately nine members of the quality inspection team at our largest central kitchen in Shanghai, the majority of which had more than eight years of work experiences and had obtained various professional certificates related to quality assurance and inspection, such as ISO22000 internal auditor certificate issued by third party training center and food inspection professional qualification certificate issued by the local human resources government agency in the PRC. All members of the quality inspection team have tertiary education background. They conduct organoleptic, physical, chemical and microbiological testing and examination of food ingredients with a variety of specialized testing tools such as PH meter, electronic analytical balance, moisture analyzer, concentration meter, biological microscope and digital electric incubator. We will set up similar quality inspection team at our other central kitchens as they expand in terms of the number of restaurants serviced and the quantity of foods produced.

Logistics Quality Control

We engage third party logistics service providers to transport the food ingredients and semi-processed foods from central kitchens to our restaurants. We usually require special logistics services that demand the vehicles be equipped with freezers or refrigeration capacity. Our quality inspection personnel responsible for supply chain quality control are also responsible for our logistics quality control. For more details about our quality inspection personnel for supply chain quality control, see the section headed “— Supply Chain Quality Control”. We have formulated strict requirements with respect to the hygiene and temperature of the vehicle storage space used for

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transportation. We inspect and record the temperature of the vehicle storage space upon loading and delivery, respectively, to ensure the foods in transit are under a controlled environment and condition. Upon delivery of the foods to the restaurants, our restaurant staff will store the foods under appropriate temperature and storage condition.

Restaurant Quality Control

We have developed separate manuals laying out operating procedures and quality standards to regulate the stages of food preparations done at our restaurants. We require our restaurant staff to strictly adhere to the procedures and standards stipulated in the manuals to ensure the flavor, presentation, quality and hygiene standards of our dishes. No restaurant may alter the recipe or cooking procedures for any dish without proper approval. As a result, our guests can enjoy the same dishes with consistent quality and taste at any of our restaurants. We believe this consistency helps us to retain existing guests and attract new guests by generating customer confidence in our quality control system.

Our restaurants quality control policies and procedure primarily include the following aspects:

- *Continuous training programs.* We continuously provide training programs to our restaurant staff on the operating procedures and quality standards. Post-training tests are conducted to ensure the effectiveness of training.
- *Spot-check by headquarters.* We have set up a team of approximately 18 members of our regional management team to conduct spot-checks of our restaurants (other than restaurant kitchens) to identify and rectify potential issues with respect to the ambience, service, quality and management at a restaurant. An assessment team led by our chief chef visits our restaurant kitchens on a random basis and conducts quality assessment of, among other things, the flavor, presentation and hygiene of the dishes at our restaurants. As of the Latest Practicable Date, the assessment team led by our chief chef comprised approximately 16 members, all of which had more than ten years of work experiences and had obtained professional certificates for Chinese cuisine chef issued by the human resources government authorities in the PRC. In addition, we have engaged a former senior disease control and prevention professional as an external consultant to advise us regarding the food safety and hygiene issues at our restaurant kitchens.
- *On-site collection of customer feedback.* The restaurant general manager collects the on-site customer feedback on the quality of dishes and conveys the guests' opinions to the restaurant chef.
- *Mystery customer program.* We collect customer reviews and opinions through mystery customer program, survey by third party agency, and customer complaints through telephone, mail and internet.

Quality Control Audits

Our internal control department is also responsible for integrating our quality control systems across our restaurants, brands, regions and departments. The department focuses on refining our organizational structure, identifying performance gap, and facilitating interaction among the various aspects of our quality control system. Our goal is to timely identify potential risks and inefficiencies among our quality control systems that are in need of improvement, formulate appropriate corrective actions, and ensure effective implementation of the corrective actions.

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INFORMATION TECHNOLOGY

We seek to distinguish ourselves in the restaurant industry in implementing advanced information technology to support our development. To this end, we have implemented a set of management information systems, including the following:

- *Point-of-sale systems.* All of our restaurants use computerized point-of-sale systems controlled by our headquarters, which are designed to improve operating efficiency, provide management standardized and centralized control over menu mix and pricing, collect financial and marketing data and reduce restaurant and corporate administrative time and expense. These systems record each order and print the food requests in the kitchen for the cooks to prepare. The data captured for use by operations and corporate management includes guest count, time and date of meal, location of the guest's seat, quantities of each menu item sold and alcoholic and nonalcoholic drinks consumption, cash and credit card receipts, and membership card number, if available. The collected data is generally automatically transmitted to our headquarters every night, enabling management to continually monitor operating results and consumer spending patterns at each restaurant. Variances from expectations are analyzed and addressed at regular management meetings.
- *Customer relationship management systems.* We have jointly developed our customer relationship management systems in cooperation with a third party information technology development company. The intellectual property rights with respect to the developed systems are jointly owned by us and the third party development company. Our customer relationship management systems are designed and implemented to find, attract, and win new guests, nurture and retain our existing guests, re-connect with former guests, and reduce the costs of marketing and customer services. By collecting and analyzing a variety of customer information collected through our membership program, we utilize these information by facilitating targeted marketing efforts and adjusting our menu offerings and services accordingly. For more information, see the section headed “ — Marketing and Promotion”.
- *Enterprise resource planning systems.* Our enterprise resource planning systems provide a platform through which we monitor and manage a variety of functions at each restaurant, central kitchen and central warehouse, including purchasing, warehousing, human resources and accounting. The systems provide management with operating reports for each restaurant that set forth restaurant performance, based on which our management can prepare the restaurant performances budget and control the restaurant operations on a centralized basis. These systems allow us to monitor restaurant sales, food and beverage costs, labor expense and other restaurant trends on a regular basis. We are also in the process of developing a bill of materials system under our enterprise resource planning systems, which sets forth the target quantity and cost of food ingredients required by our central kitchens and restaurants to ultimately prepare a finished dish. The system monitors and analyzes the amount and cost of actually consumed ingredients against the target. Purchases of food ingredients and other supplies are managed on a centralized basis through the purchasing module in our enterprise resource planning systems, which controls qualification of suppliers, quality standards of food ingredients and other supplies, and pricing of purchase orders. We believe this function helps us to achieve standardization of quality and economies of scale in purchases.

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We believe that our current management information systems will position us well to support current needs and future growth.

COMPETITION

The restaurant industry is intensely competitive with respect to food quality and consistency, price-value relationships, ambiance, service, location, supply of quality food ingredients and employees. Many existing restaurants compete with us at each of our locations. Key competitive factors in the industry include type of cuisine, food choice, food quality and consistency, quality of service, price, dining experience, restaurant location and the ambiance of the facilities. According to Euromonitor International, the total sales value of Asian cuisine full-service restaurants in China amounted to approximately RMB1,613 billion in 2010. Euromonitor International expects Asian cuisine full service restaurants in China to continue to experience robust growth at a CAGR of 9.6% in terms of sales value from 2011 to 2015.

According to Euromonitor International, there are only a limited number of nationwide branded Chinese cuisine full-service restaurant chains. The ten largest mid- to high-end Chinese cuisine full-service restaurant chains in China in terms of the sales value in 2009 and 2010 are (in alphabetical order) Harvest Festival (豐收日), He Ji (和記小菜), Jade Garden (蘇浙滙), Jing Ya (淨雅), Quan Ju De (全聚德), Shanghai Xiao Nan Guo (上海小南國), Shi Pu (石浦), Shun Feng (順峰), South Beauty (俏江南) and Xiang E Qing (湘鄂情). See the section headed “Industry Overview”.

We believe we are competitively positioned based on the history of more than two decades of our brand, standardized operation model under modern corporate management principles and time-tested signature dishes with wide customer appeal. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Intense competition in the restaurant industry could prevent us from increasing or sustaining our revenues and profitability”.

EMPLOYEES

We had a total of approximately 3,037, 3,177, 3,943 and 4,344 employees as of December 31, 2008, 2009 and 2010 and May 31, 2011, respectively. As of May 31, 2011, we employed approximately 4,344 employees, approximately 330 of whom were headquarters personnel, approximately 592 of whom were management personnel at our restaurants, central kitchens, central warehouses and call center, and the remainder of whom were restaurant and other staff.

We seek to create a corporate culture encouraging cooperation, team work and career development of employees. We believe that a caring and balanced corporate culture facilitates employee retention and improve productivity. We are also committed to promote employee engagement to improve the efficiency and sustainability of our organization. To achieve that goal, we engaged Hewitt Associates to conduct a survey of all our employees to assess their degree of engagement in 2009 and 2010. We intend to continue assessing our employees’ engagement and creating responsive solutions to create a “high engagement” environment within our Group.

The salary level of employees in the restaurant industry in China has been generally increasing in recent years. We offer competitive wages and other benefits to our restaurant employees, and make salary adjustments in response to the local labor market conditions. The lowest starting salaries offered by our restaurants in the PRC and Hong Kong generally rose upward during the Track Record Period, and were higher than the then applicable minimum wage requirements, if any, stipulated by the local authorities where the relevant restaurants are located. The labor costs related to our

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restaurants, central kitchens and central warehouses represented 17.0%, 18.0%, 19.2% and 19.3% of our revenue from restaurant operations in the three years ended December 31, 2010 and five months ended May 31, 2011, respectively. We expect our labor costs at a restaurant to continue to increase as inflationary pressures in the PRC drive up wages. We believe the resulting upward pressure on our total labor costs as a percentage of total revenue could be mitigated by (i) our increasing operating leverage expected from the use of central kitchens as our restaurant network expands, (ii) dilution of the increased labor costs as the number of our total restaurants continuously increases, and (iii) our efforts to control the variable portions of labor costs at our newly-opened restaurants by controlling the employee headcount before a restaurant fully ramps up and prioritizing internal transfer and re-allocation of employees from existing restaurants.

In accordance with the applicable laws and regulations in China, we participate in various employee social security plans administered by municipal and provincial governments. We have made the required contributions to the social security funds for our PRC employees at specified percentages of the total salaries, bonuses and certain allowance of our employees, up to a maximum amount specified by the relevant local government from time to time.

Training Programs

We have established a training department overseeing our employee trainings in three geographic regions: eastern China, northern China, and southern China and Hong Kong. Each of our regional training teams coordinates the training programs in each region. We conduct comprehensive training programs for all our employees, including our headquarter office personnel, restaurant management personnel and restaurant staff. Successful completion of the relevant training programs is required for promotion and career advancement at each level. We maintain training and performance assessment records for each of our employees to motivate their active participation in the training programs, which improve the standardization and efficiency of our daily operations throughout our Company. We believe our training programs also help to promote internal upward mobility, which not only increases employee retention rate, but also produces the management personnel needed for our rapidly expanding restaurant network. For example, some of our restaurant wait staff have risen through the ranks to become restaurant general managers through personal diligence and progressive capability building fostered by our training programs.

Our training department provides a series of formulated training modules that are used throughout our operations, including operation procedures, management skills, leadership traits, communication, team building and others. For example, we have formulated a companion Training Guide (《訓練指南》) to the Xiao Nan Guo Operating Standards Manual (《小南國營運標準手冊》), to help the trainers, who are usually the relatively more senior employees, to systematically train and test other employees on our standardized operating procedures.

To secure a stable supply of future generations of management personnel, we have been collaborating with various vocational colleges to develop management trainee programs that combine school education and on-the-job training for college students with interests in the hospitality industry. The goal of the management trainee programs is to ultimately develop college students into restaurant general managers, with the key elements of providing upward mobility within our Company, fostering employee loyalty and incorporating customized mentoring, coaching and training. We continuously seek to identify promising candidates among our current employees for future managers to provide tailored training and career guidance.

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Another fundamental objective of our training programs is to provide a sufficient number of well-trained employees for newly opened restaurants. We generally relocate the restaurant general manager from an existing restaurant to a new restaurant, where the restaurant general manager is able to utilize his or her training and know-how and will coordinate trainings of the new restaurant staff within approximately one to two weeks before the expected opening. Our training department personnel from the headquarters lend support and introduce our standards and culture to the new team members.

Recruiting

Recruiting in the restaurant industry is highly competitive, especially with respect to recruiting of restaurant staff, including waiting staff, cashier, and kitchen staff. We believe we are hiring the best available employees in the market by offering competitive wages and benefits, focused training opportunities and internal upward potential. We have recently adopted a variety of initiatives to facilitate recruitment of our restaurant staff, such as

- establishing a database of potential candidates and mobilizing current employees to identify more candidates on a continuous basis;
- circulating recruiting information periodically to potential candidates through mobile messaging;
- participating in job fairs and communicating with local employment placement agencies periodically;
- setting up recruiting booths at least every other week by each restaurant; and
- establishing a referral bonus program to encourage current employees to refer candidates to us.

See the sections headed “Risk Factors — Risks Relating to Our Industry and Business — Labor shortages or increases in labor costs could slow our growth, harm our business and reduce our profitability” and “Risk Factors — Risks Relating to Our Industry and Business — We face certain risks relating to a number of employee recruiting and retention initiatives recently implemented”.

We have also been collaborating with various local vocational high schools and colleges with hospitality programs to provide students with externships and placement opportunities at our restaurants. We believe these collaboration initiatives help to provide us with a high-quality supply of employees. We intend to further expand the scale and number of such collaboration programs in 2011.

Employee Retention

Like many participants in the restaurant industry, we have experienced relatively high attrition rates. In an effort to improve employee retention, we have recently implemented a number of initiatives, including

- establishing a new employee orientation program to instill our corporate values and culture in the new employees;
- conducting employee training programs to improve their job skills and help with their career advancement;

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- providing management training programs on employee retention;
- engaging employees with internal communication by conducting annual employee engagement surveys, promoting open-door policy within our organization, organizing periodic employee focus group at each restaurant by bringing together a small group of employees to discuss issues and concerns in the work place;
- circulating monthly internal newsletters through mobile messaging to help employees to identify with our Company; and
- conducting exit interviews to seek frank feedback about the concerns, dissatisfactions and suggestions of the employees for improvement of our organization.

See the section headed “Risk Factors — Risks Relating to Our Industry and Business — We face certain risks relating to a number of employee recruiting and retention initiatives recently implemented”.

In addition, we have adopted the Pre-IPO Share Option Schemes and conditionally adopted the Share Option Scheme. The purpose of the Pre-IPO Share Option Schemes and Share Option Scheme is to enable us to grant options to the participants in recognition of their contribution made or to be made to the Group. For more details, see the sections headed “Pre-IPO Share Option Schemes” and “Share Option Schemes” in Appendix VI to this prospectus.

HONORS AND AWARDS

Our achievements over the years have been recognized by numerous awards, including the following:




<u>Award/Awards</u>	<u>Year(s)</u>	<u>Issuer/Issuers of Awards</u>
U Favorite Food Awards (我最喜愛食肆)	2011	U Magazine
Shanghai Famous Brand (上海名牌)	2011, 2009 and 2007	Shanghai Municipal Commission of Commerce (上海市商務委員會) in 2011 and 2009 and Shanghai City Famous Brand Recommendation Committee (上海市名牌產品推薦委員會) in 2007
Top 100 of the Chinese Food and Beverage Industry in 2010 and 2007 (2010年度以及2007年度中 國餐飲百強企業)	2011 and 2008	Department of Commercial Reformation and Development, Ministry of Commerce and the Chinese Cuisine Association (商務部改革發展司、中國烹飪協會)
Well-known Trademark (馳名商標)	2010	Trademark Bureau of Chinese State Administration of Industry and Commerce (中國工商行政管理總局商標局)
China's Golden Chef (中華金廚獎)	2009	Chinese Cuisine Association (中國烹飪協會)
Famous Restaurant of Shanghai's Food and Beverage Industry (上海餐飲名店)	2009	Shanghai Cuisine Association (上海市烹飪協會)
Chinese Famous Business Brand (中國商業名牌)	2006	Chinese General Chamber of Commerce (中國商業聯合會)

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In addition, many of our signature dishes have received numerous awards and recognitions as representative of modern Shanghainese cuisine. For example, more than ten of our dishes, such as our vegetable salad and sautéed fresh river shrimp, have been designated over the years as well-known Shanghai dishes by various trade associations, including Shanghai Food and Beverage Association (上海市餐飲行業協會), Shanghai Cuisine Association (上海市烹飪協會) and Shanghai Chamber of Commerce (上海市商業聯合會). Our Shanghai Xiao Nan Guo restaurants in Hong Kong have been designated one of the “Hong Kong Tatler Best Restaurants” every year since 2006. All of our six restaurants in Hong Kong and a majority of our restaurants located in Beijing or Dalian were certified by the Hong Kong Environmental Resource and Safety Institute (香港環境資源及安全學會) for having passed ERS 5S Management Certification (源全5S管理認證), a set of field management standards for industries such as food and restaurants, medical care, education and logistics, with merit or distinction in 2011.

INTELLECTUAL PROPERTY

We currently operate our restaurants under the Shanghai Xiao Nan Guo and Maison De L’Hui brands. Ms. Wang and companies controlled by Ms. Wang have registered or applied for registration of a variety of Xiao Nan Guo and Maison De L’Hui related trademarks, including, among others, (i) trademarks incorporating “Xiao Nan Guo” or “小南國” in both China and Hong Kong, and (ii) trademarks incorporating “Maison De L’Hui” or “慧公館” in China.

Our Shanghai Xiao Nan Guo restaurants had been using the logo of “” in the PRC and Hong Kong, which we have since replaced with a newly designed logo of “” beginning in October, 2010. Our Maison De L’Hui restaurants operate under the “” logo.

We entered into a Hong Kong trademark license agreement and a PRC trademark license agreement with Ms. Wang on August 18, 2011, under each of which Ms. Wang (for herself or on behalf of the companies controlled by her) has granted our Company an exclusive and non-transferable license, subject to certain terms and conditions, to use trademarks as set forth in the section headed “B. Further Information about Our Business — 2. Our Intellectual Property Rights” in Appendix VI to this prospectus. The annual license fee is RMB1.00. The initial term of the license is ten years, and it will be renewed automatically for successive terms of ten years upon the expiry of each term. For further details, see the section headed “Connected Transactions — Continuing Connected Transactions — Exempted Continuing Connected Transactions”.

Our other intellectual property consists primarily of intellectual property rights with respect to the information technology systems jointly developed by us and third parties, proprietary know-how, recipes, and trade-secrets. We take active steps to protect our intellectual property rights and implement a set of internal intellectual property management rules. For example, we review and classify all our recipes into different categories depending on materiality of technical know-how involved and potential impact to our operations. A specific group of employees will then be granted access to a particular recipe based on its level of classification. If the recipe embodies technical know-how and is material to our businesses, only a limited group of employees will be allowed access. All employees who have access to recipes embodying our technical know-how are required to sign confidentiality and non-compete agreements with us.

During the Track Record Period, no material claims or disputes were brought against us in relation to any infringement of trademarks, patents or other intellectual property. Acts that we believe infringe our intellectual property rights occur from time to time. According to our PRC legal adviser, the Xiao Nan Guo brand, as a well-known trademark recognized by SAIC, is afforded primarily the

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following protections under the PRC laws: (i) no third party may use an identical or similar trademark in any industry or business without prior approval, and (ii) no third party may use the Xiao Nan Guo brand in its registered name or trade name without prior approval. However, our PRC legal adviser has advised us that a third party might continue to use an identical or similar trademark, if (i) the relevant party has commenced to use the trademark before the Xiao Nan Guo brand was registered with SAIC and (ii) the relevant party continues to use the trademark in good faith and within its then scope of operations.

We are aware of restaurant chains operating under the Xiao Nan Guo brand in other provinces or regions in the PRC, such as Henan Province and the Inner Mongolia Autonomous Region. We had not initiated any action or proceeding against these restaurant companies as their operations are limited in their respective province or region, where we currently do not, and do not expect in the foreseeable future to, have any operations. During the Track Record Period, we lodged complaints to the local Administrations of Industry and Commerce in Suzhou, in relation to similar infringements of our intellectual property rights before we expanded into the city, and successfully obtained and enforced administrative orders requiring the infringing parties to cease their unauthorized use. According to our PRC legal adviser, the Xiao Nan Guo brand has been duly registered as a trademark with SAIC and is afforded all protections in the PRC under the PRC laws. We believe that none of the above infringement of our intellectual property rights has a material adverse effect on our business and results of operations. As of the Latest Practicable Date, we were not aware of (i) any customer complaint or negative publicity in connection with these infringing restaurants that adversely affected the public perception of our brand image, or (ii) any third party in the cities where we are operating restaurants infringes upon our intellectual property rights by operating under a trademark, brand or logo identical to or similar with Shanghai Xiao Nan Guo or Maison De L'Hui. However, we can not assure you that the measures we have put in place to protect our intellectual property rights will be sufficient. See the section headed "Risk Factors — Risks Relating to Our Industry and Business — We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business."

For further details of our intellectual property, see the section headed "Statutory and General Information" in Appendix VI to this prospectus.

PROPERTIES

We do not own any property and lease all of our restaurant sites and head office premises from third parties. We believe this leasing strategy reduces our capital investment requirements. Currently we do not intend to acquire any property for our restaurant sites in the future. Our average monthly occupancy costs in relation to the properties leased for our restaurants, central kitchens and central warehouses were RMB5.6 million, RMB7.8 million, RMB10.0 million and RMB13.0 million for the three years ended December 31, 2010 and five months ended May 31, 2011, respectively.

Our leases typically have a term of five to ten years and a rent-free period ranging from three to four months at the beginning of the lease term, with a majority of the leases providing for a renewal option if we could agree to the renewal terms and conditions with the lessor. Most of our current restaurant leases have expiration dates ranging from 2013 to 2022. Except for the lease of one restaurant site in Shanghai that expired and terminated in December 2008 because the landlord intended to renovate the premises, we have not had significant difficulties in renewing our leases in a timely manner during the Track Record Period.

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Jones Lang LaSalle Sallmanns Limited, an independent property valuation firm, has assessed the property interests of our Company as of June 30, 2011. See the section headed “Property Valuation” in Appendix IV to this prospectus.

Properties Leased in the PRC

As of the Latest Practicable Date, we leased 52 properties in the PRC with an aggregate gross floor area of approximately 105,929 square meters, which are mainly used as restaurants sites. We also entered into cooperation agreements with the landlords with respect to two Shanghai Xiao Nan Guo restaurants, pursuant to which we agreed to operate the restaurants at the premises provided by the landlords and the landlords would be entitled to a minority share of the relevant restaurant’s revenue. The total gross floor area of the premises for these two restaurants amounted to approximately 10,858 square meters. According to our PRC legal adviser, such cooperation agreements are legal, valid and binding upon the parties in accordance with the terms of the agreements.

Based on the advice of our PRC legal adviser, the lease agreements for 17 of the leased properties have been duly registered with relevant PRC authorities, and are legal, valid and enforceable by us. In addition, the lease agreements for 35 of our leased properties as of the Latest Practicable Date were not registered with the appropriate government authorities in the PRC. These properties are located in seven cities in the PRC and have an aggregate gross floor area of approximately 75,097 square meters. Most of the above 35 properties are used as restaurants.

As advised by our PRC legal adviser, under PRC laws, an executed lease agreement must be registered and filed with the relevant land and real estate administration bureau. A failure to register an executed lease agreement will not invalidate the lease agreement. Since we have been lawfully using and occupying the premises pursuant to the lease agreement, our PRC legal adviser has advised us that according to the PRC laws, our rights would take precedence over any lessee under a subsequently registered lease agreement.

Our PRC legal adviser has advised us that depending on the local regulations, the lessor or both lessor and lessee are under the obligation to register and file an executed lease agreement with the relevant land and real estate administration bureau. We have proactively requested lessors of the relevant properties to complete or cooperate with us to complete the registration and filing procedures in a timely manner, but we are unable to control whether and when such lessors will do so.

We have been advised by our PRC legal adviser that we will not be subject to material penalty under PRC laws and regulations for the non-registration of the lease agreements. However, we cannot assure you that our lease agreements relating to, and our right to use and occupy, the premises mentioned above will not be challenged in the future. Up to the Latest Practicable Date, the operations of the restaurants located at the aforesaid properties have not been disrupted due to the non-registration of our lease agreements as described above. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Certain defects caused by non-registration of our lease agreements related to certain properties occupied by us in the PRC may materially and adversely affect our ability to use such properties.”

Properties Leased in Hong Kong

As of June 30, 2011, we have leased nine properties in Hong Kong with an aggregate gross floor area of approximately 5,811 square meters, which are mainly used as restaurant sites.

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INSURANCE

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we have operations.

In the PRC, we maintain (i) public liability insurance to cover liability for damages arising out of our business operations for all of our restaurants, (ii) money insurance for loss of cash in transit or at our business premises for our restaurants that usually receive relatively sizeable cash payments from guests, and (iii) property insurance covering all risks for all of our restaurants to protect our business from natural disasters such as fire, earthquake, lighting, flood, and other unfortunate events. We believe that we are covered by adequate property and liability policies with coverage features and insured limits that we believe are customary for similar companies in the PRC. However, our insurance coverage may not be adequate to cover all losses that may occur. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Our insurance policies may not provide adequate coverage for all claims associated with our business operations.”

In Hong Kong, we primarily maintain (i) insurance for employee’s compensation for injuries or death in the course of employment, (ii) money insurance for loss of cash in transit or our business premises, (iii) property all risks insurance for our business and office decorations, furniture, fixtures, fittings and utensils, and (iv) public liability insurance to cover ourselves against any claims of food and drink poisoning by our customers, claims in respect of bodily injury or property damage incurred by our independent contractors, and claims in respect of fire or other damage to the restaurant sites leased by us.

LEGAL COMPLIANCE

Compliance with PRC Laws

Historical Non-compliance with respect to Material Licenses, Permits and Approvals during the Track Record Period and up to the Latest Practicable Date

According to our PRC legal adviser, we need to obtain a series of licenses, permits and approvals before a planned new restaurant located in the PRC may commence business operations, which primarily include a business license, food hygiene license or food service license, environmental protection assessment and inspection approval, fire safety design approval and fire prevention inspection approval, and public assembly venue hygiene license.

During the Track Record Period and up to the Latest Practicable Date, certain of our restaurants did not obtain all required material licenses, permits and approvals before the deadlines set forth in the relevant PRC laws, including (i) 6 restaurants that did not obtain the business licenses timely, (ii) 6 restaurants that did not obtain the food hygiene licenses or food service licenses timely, (iii) 18 restaurants and our central kitchen in Shanghai that did not obtain the environmental protection assessments and inspection approvals timely, (iv) 19 restaurants that did not obtain the fire safety design approvals and fire prevention inspection approvals timely, and (v) 8 restaurants that did not obtain the public assembly venue hygiene licenses timely.

The various non-compliances described above occurred primarily because our Company’s senior management was pre-occupied with the development and growth of the Company’s business operations and did not spend sufficient amount of time and effort on monitoring the Company’s compliance status with the PRC laws. We have made significant progress in rectifying the various

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non-compliance issues since they were identified and elevated to the attention of the Company's senior management. As of the Latest Practicable Date, we had rectified all the abovementioned non-compliance issues and obtained all the material licenses, permits and approvals for our restaurant operations. Based on the facts that (i) we have duly rectified the relevant non-compliance issues and (ii) we have obtained from the competent PRC authorities compliance certificates or verbal confirmations with respect to the compliance status of the relevant restaurants, our PRC legal adviser has advised us that there is no material risk for us to be subject to any penalty or other liability imposed retroactively by the PRC authorities in connection with the various historical non-compliances described above. However, we cannot assure you that we will not be subject to any penalty in the future. See the section headed "Risk Factors — Risks Relating to Our Industry and Business — We require various approvals, licenses and permits to operate our business and the loss of or failure to obtain or renew any or all of these approvals, licenses and permits could materially and adversely affect our business and results of operations."

Going forward, we will not open any new restaurant before we have obtained all material licenses, permits and approvals required in the PRC. To ensure our future compliance with relevant PRC laws, we have adopted a series of internal control measures, details of which are set out under the section headed "— Internal Control Measures Designed to Prevent Future Non-compliance".

Compliance Status of our Group as of the Latest Practicable Date

Environmental protection assessment and inspection approval

Among the 44 restaurants we own and operate in the PRC as of the Latest Practicable Date, we have duly obtained the environmental impact assessment report (環評報告審批意見) and the inspection approval for the completed environmental protection facilities (環保設施竣工驗收意見書) for 36 restaurants.

With respect to eight newly-opened restaurants, we have duly obtained the environmental impact assessment reports. According to the PRC laws and the customary practices of the local authorities, applications for the inspection approval for the completed environmental protection facilities shall be submitted after a trial period generally around three months after the issuance of the environmental impact assessment report. We have duly submitted applications for the inspection approvals for the completed environmental protection facilities with respect to six out of the eight newly-opened restaurants. We will duly apply for the inspection approvals with respect to the other two newly-opened restaurants upon expiration of the trial periods, which will be between the end of September 2011 and October 2011. The competent PRC authorities will review our applications and conduct on-site examination of such environmental protection facilities. We currently expect to obtain the inspection approvals for the environmental protection facilities within two months after the competent PRC authorities have completed on-site examinations.

We obtained in August 2011 the environmental protection assessment for our central kitchen in Shanghai with respect to its production of semi-processed food. Our central kitchen in Shanghai may apply for the inspection approval upon the expiration of the trial period of approximately three months after issuance of the environmental impact assessment report. Other than the routine filing, application or submission fees required under the applicable PRC laws, we do not expect any significant expense involved.

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Our PRC legal adviser advises us that our 11 newly-opened restaurants and central kitchen in Shanghai are in compliance with the PRC environmental protection laws before the expiration of the trial periods, and will continue to be compliant thereafter as long as we will duly apply for the inspection approvals upon expiration of the trial periods.

Registration of trademark license agreements

According to relevant PRC laws and regulations, trademark license agreements should be duly registered with the Trademark Office of The State Administration for Industry and Commerce of the PRC (the “Trademark Office”). During the Track Record Period, certain subsidiaries of our Group entered into trademark license agreements with Ms. Wang or her wholly-owned companies, one of which has not been registered at the Trademark Office. As advised by our PRC legal adviser, failure to register the trademark license agreements at the Trademark Office will not affect the validity of the agreement or the use of the licensed trademarks by the relevant restaurant. Therefore our Directors are of the view that the impact of such non-compliance on our Group is not material.

Leased properties

- *Defect in title ownership certificate.* As of the Latest Practicable Date, we leased 52 properties in the PRC with an aggregate gross floor area of approximately 105,929 square meters. With respect to three of our leased properties in the PRC, the relevant lessors had not been able to provide us with the relevant title ownership certificates, land use right certificates, or both, evidencing their rights to lease the properties to us. These three properties are located in three cities in the PRC and used for restaurant operations, with an aggregate gross floor area of approximately 6,781 square meters, representing 6.0% of the total gross floor area of our leased properties in the PRC. The revenue contribution from the restaurants located on these three properties amounted to RMB36.9 million, RMB34.8 million, RMB44.4 million and RMB24.4 million for each of the three years ended December 31, 2010 and five months ended May 31, 2011, representing 6.2%, 5.3%, 5.1% and 5.9% of our Group’s total revenue of the relevant year, respectively. The gross profit generated from the restaurants located on these properties amounted to RMB22.0 million, RMB21.7 million, RMB27.6 million and RMB15.8 million for each of the three years ended December 31, 2010 and five months ended May 31, 2011, representing 6.0%, 5.1%, 4.8% and 5.8% of our Group’s gross profit of the relevant year, respectively.

Based on the advice of our PRC legal adviser, if the lessors of the relevant leased properties do not have the requisite rights to lease out the relevant leased properties, the relevant lease agreements may be deemed invalid, and as a result, we may be required to vacate from the relevant properties and relocate our restaurants. Please see the section headed “Risk Factors — Risks Relating to Our Industry and Business — Certain of our leased properties in the PRC are encumbered and used as restaurants in breach of the applicable zoning permits”.

- *Defect in registration and filing of lease agreements.* As of the Latest Practicable Date, the lease agreements with respect to 35 of our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC, primarily due to the lack of full cooperation from the lessors, who were obligated to complete or cooperate with us to complete the registration and filing procedures depending on the local regulations. These properties are located in seven cities in the PRC and have an aggregate gross floor area of approximately 75,096 square meters. Most of the 35 properties are used as restaurants.

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As advised by our PRC legal adviser, failure to complete the registration and filing of lease agreements will not affect validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose administrative penalties such as ordered rectification and a fine not exceeding RMB10,000 or RMB30,000, depending on the local regulations.

For more details of the failure in registration and filing of lease agreements, please see the section headed “Business — Properties — Properties Leased in the PRC”. Please also see the section headed “Risk Factors — Risks Relating to Our Industry and Business — Certain defects caused by non-registration of our lease agreements related to certain properties occupied by us in the PRC may materially and adversely affect our ability to use such properties”.

- *Defect in lease of allocated land.* As of the Latest Practicable Date, one leased property is located on allocated land (劃撥地) and is used as one of our central kitchens, which is located in suburban Shanghai. The revenue generated from outside customers of the central kitchen located on the leased property amounted to RMB12.3 million, RMB7.1 million, RMB0.6 million and RMB20,262 for each of the three years ended December 31, 2010 and five months ended May 31, 2011, representing 2.0%, 1.1%, 0.1% and 0.0% of our Group’s total revenue of the relevant year, respectively. The gross profit generated from the outside customers of the central kitchen amounted to RMB1.9 million for the year ended December 31, 2008, representing 0.5% of our Group’s gross profit of the relevant year. For each of the two years ended December 31, 2010, the central kitchen recorded a loss of RMB1.8 million and RMB0.6 million, respectively. As advised by our PRC legal adviser, the lease of such property on allocated land must be approved by and registered with the appropriate land and real estate administration bureau in the PRC. However, as of the Latest Practicable Date, the lessor had not obtained the necessary approval nor completed the registration. Due to the lessor’s failure to obtain the necessary approvals and complete the relevant registration, such lease may be deemed invalid and we may be forced to relocate our affected central kitchen. Our Directors believe that the lessor’s failure to obtain the approval and complete the registration will not result in material adverse impact on our business and results of operations, primarily because (i) it is relatively easy to locate replacement site for a central kitchen located in the suburban area, and (ii) Ms. Wang has agreed to indemnify us for all costs, expenses and losses incurred in case of forced relocation due to the lessor’s failure to rectify such non-compliance. Please see the section headed “Risk Factors — Risks Relating to Our Industry and Business — Certain of our leased properties in the PRC are encumbered and used as restaurants in breach of the applicable zoning permits”.
- *Defect in land use inconsistency.* In addition, five of our restaurants are located on leased properties that do not comply with the permitted land uses specified in the relevant zoning permits, which was primarily caused by the lessors’ failure to register the change in the usage of land with relevant land and real estate administration bureaus. Our PRC legal adviser has advised us that the relevant lease agreements are valid and enforceable regardless of such non-compliance, and we are not subject to any sanction under the applicable laws. As a result of such non-compliance, the landlords of the properties are subject to warnings, fines, orders of rectification, or even revocation of land use rights without compensation. We may have to vacate the premises should the competent authority decide to revoke the land use rights of the landlords. The revenue contribution from the restaurants located on these five properties amounted to RMB102.3 million, RMB94.8 million, RMB112.6 million and RMB53.5 million for each of the three years ended December 31, 2010 and five months ended May 31, 2011, representing 17.3%, 14.4%, 12.9% and 12.9% of our Group’s total revenue of the relevant year, respectively. The

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gross profit generated from the restaurants located on these properties amounted to RMB62.9 million, RMB60.0 million, RMB70.7 million and RMB33.5 million for each of the three years ended December 31, 2010 and five months ended May 31, 2011, representing 17.0%, 14.1%, 12.3% and 12.3% of our Group's gross profit of the relevant year, respectively.

As of the Latest Practicable Date, the operations of the abovementioned five restaurants had not been disrupted nor were we forced to relocate the relevant restaurants because of such non-compliance. However, we can give no assurance that we will not be subject to any loss in the future. Please see the section headed "Risk Factors — Risks Relating to Our Industry and Business — Certain of our leased properties in the PRC are encumbered and used as restaurants in breach of the applicable zoning permits".

- *Defect in lease of mortgaged properties.* As of the Latest Practicable Date, 14 of our restaurants are located on leased properties subject to mortgages in favor of certain financial institutions (the "Mortgagees"). Out of the 14 encumbered properties, the lessors of three properties have not been able to obtain the written consents from the Mortgagees with respect to our lease of the properties. The lessors of these three properties may be in breach of the relevant mortgages without such consents, thereby entitling the Mortgagees to, among other things, force us to vacate these properties. The revenue contribution from the restaurants located on these three properties amounted to nil, RMB19.2 million, RMB22.9 million and RMB14.1 million for each of the three years ended December 31, 2010 and five months ended May 31, 2011, representing nil, 2.9%, 2.6% and 3.4% of our Group's total revenue of the relevant year, respectively. The gross profit generated from the restaurants located on these properties amounted to nil, RMB12.8 million, RMB15.4 million and RMB9.3 million for each of the three years ended December 31, 2010 and five months ended May 31, 2011, representing nil, 3.0%, 2.7% and 3.4% of our Group's gross profit of the relevant year, respectively. Please see the section headed "Risk Factors — Risks Relating to Our Industry and Business — Certain of our leased properties in the PRC are encumbered and used as restaurants in breach of the applicable zoning permits".

Our Directors believe that none of the aforesaid defects with respect to our leased properties is individually crucial to our business. With respect to the leased property located on allocated land and used as our central kitchen in Shanghai, the lessor has agreed to indemnify us against all losses incurred by us (including relocation expense, refurbishment expense and loss of profit) in the event that we could not use the property because of the lessor or the leased property. In addition, our ultimate Controlling Shareholder, Ms. Wang, has agreed, that in the event that we can not continue using any of our leased properties due to defects in the leased properties caused by the lessors, to indemnify us for all costs, expenses and losses incurred by us, and has further undertaken to find alternative premises with similar commercial value near the original leased properties as replacements. Therefore, our Directors are of the view that there will not be any material adverse effect on our business and results of operations if we are forced to vacate the relevant properties due to any defects caused by the lessors. As of the Latest Practicable Date, the Company had not received any notice or order from any competent PRC authorities or Mortgagees that the Company's restaurants should close or relocate from any of the relevant leased properties due to the above defects.

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Hong Kong Regulatory Compliance

Overview

We need to obtain certain licenses for the operations of our restaurants located in Hong Kong, which primarily include a restaurants license issued by the Food and Environmental Hygiene Department, a liquor license issued by the Liquor Licensing Board and a water pollution control license issued by the Environmental Protection Department. The restaurant license, the liquor license and the water pollution control license are all location specific. As of the Latest Practicable Date, we own and operate seven restaurants in Hong Kong. We have obtained the restaurant licenses, liquor licenses and water pollution control licenses required for all of our restaurants in Hong Kong. The following table sets forth the remaining validity periods of the material licenses for our operating restaurants in Hong Kong as of the Latest Practicable Date. We will apply to renew the relevant licenses in due course and as advised by our Hong Kong legal adviser, there is no legal impediment for us to obtain the relevant licenses.

Material license, permit and approval	Remaining validity period of the license	
	Within one year	More than one year
	(number of restaurants)	
Restaurant license	7	Nil
Liquor license	7	Nil
Water pollution control license	Nil	7

To ensure that we would be able to timely obtain all necessary licenses for our restaurant operations in Hong Kong, we have adopted a computer-based internal system and checklists to mark the expiry dates of all the general restaurant licenses, the liquor licenses and the water pollution control licenses. The system will generate reminders to the management in charge of the respective restaurants to remind them to renew the relevant licenses. Also, in relation to the restaurant licenses and the liquor licenses, it is the common practice that the relevant authorities will issue a written reminder to the relevant restaurants to renew their licenses two months before the due date. Our Group has never failed to renew or obtain relevant licenses for its restaurant operations in Hong Kong, and our Directors do not foresee any impediments in renewing such licenses.

Non-compliance of our Group as of the Latest Practicable Date

Some of our subsidiaries incorporated in Hong Kong have on various occasions not complied with certain statutory requirements in the Companies Ordinance as described below. Upon identification of the instances of non-compliance, we have taken corresponding steps to remedy the non-compliance.

Accounts-related Non-compliance Matters

Pursuant to section 122 of the Companies Ordinance, the directors of a company incorporated in Hong Kong are required to cause the profit and loss account and balance sheet to be made up and laid before the company and its shareholders at each of its annual general meetings. Such accounts shall be made up to a date falling not more than nine months before the date of the relevant annual general meeting.

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Some of our subsidiaries incorporated in Hong Kong failed to comply with this requirement due to unintended and inadvertent omission. We have submitted the requisite audited accounts for the relevant Group companies to their respective shareholders for approval either through general meetings or by way of written resolutions.

Annual General Meeting-related Non-compliance Matters

Pursuant to section 111 of the Companies Ordinance, a company incorporated in Hong Kong is required in each year (except for the first 18 months after its incorporation) to hold an annual general meeting in addition to any other meetings in that year. However, a company is not required to hold such meeting if (i) everything that is required or intended to be done at the meeting (by resolution or otherwise) is done by a resolution or resolutions in accordance with the Companies Ordinance; and (ii) a copy of each document (including any accounts or records) which would be required to be laid before the company at the meeting or otherwise produced at the meeting is provided to each member of the company before or at the same time as the resolution or resolutions, as the case may be, is or are provided to the member.

Some of our subsidiaries incorporated in Hong Kong failed to comply with this requirement due to absence of timely and professional advice to the Company on this matter. Written resolutions have been passed for the relevant Group companies to do everything that is required or intended to be done at the annual general meeting (“AGM”) and a copy of each document (including any accounts or records) which under the Companies Ordinance would be required to be laid before the relevant Group company at the meeting or otherwise produced at the meeting is provided to the respective shareholder(s) of the Group company.

General Non-compliance Matters

Under the Companies Ordinance, a Hong Kong company must file a notice with the Registrar of Companies in Hong Kong upon certain changes in its corporate particulars within a prescribed timeframe specified in the Companies Ordinance.

Some of our subsidiaries incorporated in Hong Kong failed to file the required notices within the prescribed timeframe due to absence of timely and professional advice to the Company on this matter. As of the Latest Practicable Date, the relevant Group members have filed with the Hong Kong Companies Registry all the relevant prescribed forms and notices.

For further details, see the section headed “Summary of the Non-compliance with the Companies Ordinance” in Appendix VI to this prospectus.

Environmental Matters

We are subject to environmental protection laws and regulations promulgated by the governments of the PRC and Hong Kong. See the section headed “Regulation — PRC Regulatory Compliance — Laws and Regulations on Environmental Protection”. Our environmental protection expenses, including garbage disposal and cleaning expenses, amounted to RMB0.9 million, RMB1.0 million, RMB1.4 million and RMB0.9 million for the three years ended December 31, 2010 and five months ended May 31, 2011, respectively. We currently do not have any specific expenditure plan in this regard. However, we will devote operating and financial resources to environmental compliance whenever we are required by PRC or Hong Kong laws to do so in the future.

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LEGAL PROCEEDINGS

From time to time, we are subject to legal proceedings, investigations and claims arising in the ordinary course of our business. As of the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL MEASURES DESIGNED TO PREVENT FUTURE NON-COMPLIANCE

In order to improve our corporate governance and to prevent future non-compliance, we have adopted or intend to adopt the following measures in the PRC and Hong Kong:

- (i) Our internal audit department, headed by Ms. Tang Xiaoxian (department director), established in August 2010, aims to ensure that our Group's operations are under proper internal controls in all material respects. The internal audit department currently comprises one internal audit controller, two senior internal auditors and one internal auditor. The internal audit controller is a certified internal auditor and certified public accountant, who possesses relevant auditing experience to monitor and oversee internal control matters in our daily operations. The internal audit department recommends reasonable remedial plans to our management for any internal control deficiencies identified, and is responsible to ensure that all the deficiencies are addressed by the remedial plans. After the establishment of our Audit Committee on August 30, 2011, the internal audit department will report to our Audit Committee directly on a quarterly basis and will provide annual report to our Audit Committee and management.
- (ii) Our public affairs team, established in December 2010, monitors the compliance status of our operations in both PRC and Hong Kong with respect to licenses, permits and approvals. It is responsible for ensuring all licenses, permits and approvals (except certain approvals related to fire safety and environment discussed below) have been properly obtained before commencement of business operations at our planned new restaurants. Our public affairs team supervises the renewal of all required licenses, permits and approvals in both PRC and Hong Kong, by monitoring the pending expiration dates of all licenses, permits and approvals and coordinating the timely preparation and submission of the relevant renewal applications. The head of our public affairs team reports to our chief executive officer every month about the compliance status of our operations. The team currently comprises four members, two members of which have legal background. Ms. Leng Yijia, our general counsel and company secretary, heads the public affairs team. For biographical details of Ms. Leng Yijia, please see the section headed "Directors and Senior Management — Senior Management".

BUSINESS

- (iii) We are currently in the process of developing various internal approval policies and procedures in the PRC and Hong Kong. In order to further enhance our internal control measures, we expect to adopt an internal audit guideline, which provides detailed internal control procedures, so as to ensure our compliance with the Listing Rules and the relevant PRC and Hong Kong laws. Further, we are implementing the following internal control measures to ensure compliance with the Listing Rules and the relevant PRC and Hong Kong laws:

<u>Issues</u>	<u>Measures to ensure compliance</u>
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Fire safety and environment	(a) Our construction and development department, currently headed by Mr. Sun Yong, a vice president of our Company, is responsible for applying for approvals relating to fire safety and environment protection for each restaurant, to ensure that all approvals relating to fire safety and environment have been properly obtained before commencement of business operation at the planned new restaurants.
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(b) Our public affairs team is responsible for applying for public assembly venue hygiene license.

Other licenses, permit and approvals	All other licenses, permits and approvals related to our restaurant operations are managed by our public affairs team.
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(c) For our restaurants located in Shanghai, our public affairs team directly liaises with relevant PRC authorities to apply for all other licenses, permits and approvals necessary for a restaurant to commence business operations in compliance with relevant PRC laws.

(d) For our restaurants located in other cities, our regional management team assigns a designated staff to handle the application for the relevant licenses, permits and approvals, who also updates our public affairs department at the headquarters on a timely basis.

- (iv) Our Audit Committee, established on August 30, 2011, is establishing formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the PRC and Hong Kong laws after the Listing. We will disclose the results of such reviews in the annual reports of our Company.

BUSINESS

- (v) We will engage an independent internal control adviser to conduct an evaluation of our internal control system at the end of 2011. The results of such review will be submitted to our Audit Committee and disclosed in the annual report of our Company for 2011.
- (vi) Ms. Mok Ming Wai, one of our joint company secretaries appointed in August 2011, is familiar with the Listing Rules, Companies Ordinance and related matters, and is responsible for advising us on matters relating to Company's and Directors' obligations.
- (vii) We have engaged and will continue appointing external professional advisers, including auditors, legal advisers or other advisers to render professional advice as to compliance with the statutory requirements as applicable to our Group from time to time. We will also appoint a compliance adviser to provide advice to our Directors and management team on matters relating to the Listing Rules.
- (viii) We have implemented and will continue to implement various training programs to update our employees on the relevant PRC and Hong Kong laws and regulations.

In preparation of Listing, we engaged an internal control advisory firm, Protiviti Shanghai Co., Ltd., to conduct an evaluation of our internal control system. During the initial review in February 2011, our internal control advisors identified certain deficiencies, such as the failure of some of our restaurants to obtain certain key licenses, permits and approvals according to the relevant PRC laws. The Company has taken remedial measures to address such deficiencies, including setting up a team tasked with rectifying these issues and adopted measures designed to monitor the application progress to obtain the licenses, permits and approvals. Based on a follow-up review in April 2011, the internal control advisors are satisfied that an adequate remedial plan has been in place for our Company to remedy the above mentioned non-compliance areas, and confirm that our existing internal control procedures and policies are adequate with respect to the deficiencies identified during the initial review in February 2011. After considering our remedial actions and results of the follow-up review by our internal control advisors in April 2011, our Directors are of the view that we are able to comply with the internal control requirements under the Listing Rules, and the internal control measures adopted by the Group are adequate and effective in ensuring that after the Listing, all material licenses and permits required for our operations will be timely obtained.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option or Pre-IPO Share Options or options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 38.19%, 8.27%, 0.37%, 6.52% and 7.27% by Value Boost, Expert City, Fast Glow, Full Health and Well Reach, respectively. Ms. Wang will be interested in approximately 38.19% of our Company's total issued share capital through The Wang Trust, and the Trustee of The Wang Trust owns 100% interest of Value Boost. In 2010, Ms. Wang entered into four declarations of trusts ("Declarations of Trusts") with each of Ever Project, Victor Merit, Wealth Boom and Brilliant South, the beneficial owners of Expert City, Fast Glow, Full Health and Well Reach ("Trust Companies"), respectively. Pursuant to the Declarations of Trusts, Ms. Wang has the absolute discretion to exercise her voting rights at all general meetings of each of the Trust Companies, which collectively will own approximately 22.43% of the enlarged issued share capital of our Company. Hence, Value Boost, the Trustee, Ms. Wang and each of the Trust Companies will be a Controlling Shareholder upon Listing, and Ms. Wang controls, in aggregate, approximately 60.62% of the voting right in our Company. For details of the Declaration of Trusts, please refer to paragraphs (ii) to (v) under the section headed "History and Development — Our Corporate History — Third Restructuring".

Our Directors have confirmed that to the best of their knowledge, information and belief, as at the Latest Practicable Date, save as Ms. Wang's interests in the Excluded Businesses as mentioned in the section below, none of our Controlling Shareholders nor Directors and any of their respective associates have interests in businesses, other than our Group businesses, which may directly or indirectly compete against the businesses of our Group.

EXCLUDED BUSINESSES OF MS. WANG

As at the Latest Practicable Date, Ms. Wang has control of or interests in the following businesses (the "Excluded Businesses"):

Business Type

Food Businesses

Name of the Company	Key Features
Shanghai Xin Di	<ul style="list-style-type: none">• Providing Chinese food take-away and delivery services under the brand "Xiao Nan Guo Da Wei Lai" (小南國大味來)• Targeting budget-spending customers without restaurant dine-in need• Wholly-owned by Ms. Wang, and our Group has option to acquire• Ms. Wang is not involved in the day-to-day management

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Name of the Company	Key Features
WHM Japan Co., Ltd. (株式會社WHMジャパン) ("Xiao Nan Guo Japan Business")	<ul style="list-style-type: none">• Operating Chinese restaurant business using the brand "Xiao Nan Guo" in Japan• Operating only in Japan• Wholly-owned by Ms. Wang, and our Group has option to acquire• Ms. Wang is not involved in the day-to-day management
An Heng (Shanghai) Restaurant Management Co., Ltd. (安恒(上海)餐飲管理有限公司); Beijing Heshiji Restaurants Co., Ltd. (北京和詩己餐飲有限公司) and four individual proprietorships (個體工商戶) ("Japanese BBQ Business")	<ul style="list-style-type: none">• Serving yakiniku, sushi and other Japanese style food under the brand "Xiao Nan Guo Japanese style" (小南國日式)• Targeting customers opting for Japanese cuisine and experience• Ms. Wang is not involved in the day-to-day management
Shanghai Yi Guo Tang Co., Ltd.(上海一國堂餐飲有限公司) ("Shanghai Yi Guo Tang")	<ul style="list-style-type: none">• Serving Japanese style noodles under the brand "Noodle Plus" (面加)• Targeting budget-spending customers opting for quick service and casual dining experience• Ms. Wang is not involved in the day-to-day management
Multi Concepts Link Restaurant Management Limited (無限創意餐飲管理有限公司) ("Multi Concepts")	<ul style="list-style-type: none">• Serving Hong Kong-style desserts• Targeting customers opting for desserts instead of full meals• Ms. Wang is not involved in the day-to-day management

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Other Businesses

Name of the Company	Key Features
Tang He Yuan Spa; Pudong Spa; and Jing'an Spa	<ul style="list-style-type: none">• Providing spa services
Shanghai WH Ming Hotel Co., Ltd. (上海小南國花園酒店有限公司) ("WH Ming Hotel")	<ul style="list-style-type: none">• Operating hotel business under the name of "WH Ming Hotel" (小南國花園酒店) which is expected to commence operation in December 2011 or the beginning of 2012

DELINEATION OF OUR BUSINESS FROM THE EXCLUDED BUSINESSES

Our Directors believe that some of the Excluded Businesses, i.e., Shanghai Xin Di, Japanese BBQ Business and Shanghai Yi Guo Tang, which are also operating in the main meal business in the PRC, may potentially have minor competition with our Group's business but it is highly unlikely that there will be any material competition between them. The remaining Excluded Businesses, i.e., Xiao Nan Guo Japan Business, Multi Concepts, Spa Business and WH Ming Hotel, though operating in the food business or has a degree of connection with the food business, do not compete, and are not likely to compete, either directly or indirectly, with the business of our Group because there is clear delineation between these remaining Excluded Businesses and the business of our Group.

Details of each of the Excluded Businesses are as follows:

Shanghai Xin Di

Shanghai Xin Di, a company incorporated in the PRC on August 27, 2009, which is indirectly wholly-owned by Ms. Wang, mainly engages in Chinese food take-away or delivery services. As of the Latest Practicable Date, it operates three outlets under the brand "Xiao Nan Guo Da Wei Lai" (小南國大味來).

Unlike our Group, which primarily focuses on serving Shanghainese-inspired cuisine to mid- to high-end customers for full service dine-in at our restaurants, Shanghai Xin Di targets budget-spending customers without restaurant dine-in need. The average spending of Shanghai Xin Di's customers is substantially lower than that of our customers. For the years ended December 31, 2009 and 2010, the net loss of Shanghai Xin Di were RMB1.04 million and RMB4.10 million, respectively, based on its audited accounts. None of our Directors or senior management of our Group is involved in the daily management and operation of Shanghai Xin Di. Therefore, despite that in broad terms both Shanghai Xin Di and our Group operate in Chinese food business in the PRC, our Directors are of the view that it is highly unlikely that there is any material competition between the respective businesses of our Group and of Shanghai Xin Di.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

In order to focus our Group's human and management resources in developing our core business, i.e., operating Chinese full-service restaurants to serve our target segment of consumers, our Company decided to dispose of Shanghai Xin Di in October 2010, which operates only in the Chinese food take-away or delivery business, and has been, at all times, managed and operated by a separate and independent management team. However, taking into account that both Shanghai Xin Di and our Group operate in the Chinese food business in the PRC, our Company has entered into an option agreement with Ms. Wang, pursuant to which Ms. Wang has granted an option to our Group to acquire all or part of Shanghai Xin Di at our sole and absolute discretion. Please refer to the section headed "— Call Option Deed" for details of the terms and conditions of the Call Option Deed (as defined below).

Based on the differences in terms of the demand of service and the food and price expectations between our customers and those of Shanghai Xin Di and the independent management teams of Shanghai Xin Di as compared with that of our Group, our Directors consider that it is highly unlikely that there is or will be any material direct or indirect competition between Shanghai Xin Di and our Group.

Xiao Nan Guo Japan Business

WHM Japan Co., Ltd. (株式會社WHMジャパン), a company incorporated in Japan on February 1, 2008, which is indirectly wholly-owned by Ms. Wang, is operating a Chinese food business under the brand of "Xiao Nan Guo" in Japan. According to the information provided by the Controlling Shareholders, for the three years ended December 31, 2010, the turnover of WHM Japan Co., Ltd. were RMB6.50 million, RMB18.46 million and RMB14.75 million, respectively, and its net loss were RMB5.60 million, RMB5.66 million and RMB6.25 million, respectively. As of the Latest Practicable Date, WHM Japan Co., Ltd. only operates one restaurant in Ginza, Tokyo and has no current intention to extend its business to Greater China.

In addition, on September 5, 2011, our Company has entered into an option agreement with Ms. Wang, pursuant to which Ms. Wang has granted an option to our Group to acquire all or part of WHM Japan Co., Ltd. at our sole and absolute discretion. Please refer to the section under "— Call Option Deed" for details of the terms and conditions of the Call Option Deed (as defined below).

On the basis of the clear geographical segregation, the scale of business of our Group and WHM Japan Co., Ltd, and the entering into of the Call Option Deed, our Directors consider that Xiao Nan Guo Japan Business does not compete, and is not likely to compete, either directly or indirectly, with our Group's business.

Japanese BBQ Business

The Japanese BBQ Business operates eight restaurants using the name "Xiao Nan Guo Japanese BBQ" (小南國日式燒烤) and under the brand "Xiao Nan Guo Japanese Style" (小南國日式), of which three are operated by An Heng (Shanghai) Restaurant Management Co., Ltd. (安恆(上海)餐飲管理有限公司) and one is operated by Beijing Heshiji Restaurants Co., Ltd (北京和詩己餐飲有限公司). The four companies mentioned above are owned as to 60% by Ms. Wang. The remaining four restaurants

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

are operated by four separate individual proprietorships. Ms. Wang has made financial investments in those individual proprietorships. These restaurants target customers opting for Japanese cuisine and experience, and they primarily provide yakiniku, sushi and other Japanese style food.

According to the information provided by the Controlling Shareholders, for the three years ended December 31, 2010, the turnover of the Japanese BBQ Business were RMB66.29 million, RMB 62.82 million and RMB83.96 million, respectively, and its net profits were RMB11.74 million, RMB8.23 million and RMB12.09 million, respectively.

The Japanese BBQ Business commenced its operations in 1998. Despite Ms. Wang's investment and ownership of the equity interest in the Japanese BBQ Business, she is only a passive financial investor and has never participated in the management and daily operations of the Japanese BBQ Business. The Japanese BBQ Business has at all times been operating under the management of other shareholder(s) who are the Independent Third Party(ies) ("Other Shareholder(s)") having skills and extensive experience in preparing Japanese cuisine and operating Japanese-style restaurants. Although Ms. Wu Wen, one of our executive Directors, is the registered owner of one of the individual proprietorships, she does not participate in the management and daily operations of the Japanese BBQ Business and relies on the Other Shareholder(s) for the management of its restaurants.

None of our Directors or senior management of our Group has been involved in or has any intention to be involved in the daily management and operation of the Japanese BBQ Business.

Based on the different targeted customer segments as the food served by the Japanese BBQ Business is different from that of our Group and the independent management teams of the Japanese BBQ Business as compared with that of our Group since their commencement, our Directors consider that it is highly unlikely that there is or will be any material competition between the Japanese BBQ Business and our Group.

Japanese Noodles Business

Shanghai Yi Guo Tang is a company incorporated in the PRC on August 20, 2003 and is indirectly owned as to 42.8% by Ms. Wang. It primarily focuses on serving Japanese style noodles, such as Japanese ramen, shirataki, soba, sōmen and udon, under the brand "Noodle Plus" (面加) (the "Japanese Noodles Business"). Unlike our Group which primarily focuses on serving Shanghainese-inspired cuisine to mid- to high-end customers for full service dine-in at our restaurants, the Japanese Noodle Business is targeting budget-spending customers opting for quick service and casual dining. The average spending of the customers of the Japanese Noodles Business is substantially lower than that of our customers. As of the Latest Practicable Date, the Japanese Noodles Business only operates one outlet in Shanghai with an area of approximately 80 sq.m., and the outlet is planned to close down in the first quarter of 2012.

None of our Directors or senior management of our Group is involved in the daily management and operation of the Japanese Noodle Business.

Based on the different targeted customer segments in terms of their difference in the food and price expectations, the independent management teams of the Japanese Noodle Business as compared with that of our Group and the scale of business, in particular that its single operating outlet will close down in the first quarter of 2012, our Directors consider that, it is highly unlikely that there is or will be any material competition between the Japanese Noodle Business and our Group.

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Multi Concepts

Multi Concepts is a company incorporated in Hong Kong on February 22, 2007, which is directly owned as to 42.8% by Ms. Wang, and operates under the brand “Honeymoon Dessert” (滿記甜品). The outlets operated by Multi Concepts and its subsidiaries only provide Hong Kong-style desserts, and target customers opting for desserts only instead of full meals. The outlets are operated under the franchise arrangement whereby an Independent Third Party franchisor provides an exclusive right to Multi Concepts and its subsidiaries, the franchisees, to operate dessert outlets in seven cities or provinces in the PRC, including cities of Shanghai, Beijing, Tianjin and provinces of Shandong, Zhejiang, Jiangsu and Sichuan and in Singapore. Therefore, Ms. Wang does not have any interests in the outlets operated under the brand “Honeymoon Dessert” (滿記甜品) in Hong Kong. As of the Latest Practicable Date, Multi Concepts and its subsidiaries operate 70 outlets in the PRC and 3 outlets in Singapore with areas ranging from 80 sq.m. to 120 sq.m. for each outlet.

None of our Directors or senior management of our Group is involved in the daily management and operation of the Multi Concepts.

Based on the different targeted customer segments in terms of their difference in the food served and the independent management teams of the Multi Concepts as compared with that of our Group, our Directors consider that Multi Concepts does not compete, and is not likely to compete, either directly or indirectly, with the business of our Group.

Spa Business

The Spa Business is conducted through Tang He Yuan Spa, which was incorporated in the PRC on January 4, 2002 and is directly owned as to 55% by Ms. Wang; Pudong Spa, which was incorporated in the PRC on January 4, 2006 and is directly owned as to 55% by Ms. Wang; and Jing’an Spa, which was incorporated in the PRC on March 7, 2011 and is indirectly owned as to 100% by Ms. Wang.

Tang He Yuan Spa provides spa services and serves Chinese food under the brand “Xiao Nan Guo Tang He Yuan” (小南國湯河源), while Pudong Spa and Jing’an Spa provide spa service and serve Chinese food under the brand “Xiao Nan Guo Hai Zhi Yuan” (小南國海之源). The restaurants of Tang He Yuan Spa and Jing’an Spa are located within the spa service area, and are catered exclusively for spa customers. Although the restaurant of Pudong Spa is located next to the spa service area, it is operated under the brand “Xiao Nan Guo Hai Zhi Yuan” (小南國海之源) and only has 10 to 15 tables primarily targeting customers of Pudong Spa. Therefore, like the restaurants in Tang He Yuan Spa and Jing’an Spa, the restaurant in Pudong Spa is also intended to support the Spa Business. None of the Spa Business relies on the restaurants to attract or keep customers.

Based on the clear difference in the focus of business and targeted customers between our Group and the Spa Business, our Directors consider that the Spa Business does not compete, and is not likely to compete, either directly or indirectly, with our Group’s business.

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WH Ming Hotel

WH Ming Hotel is a company incorporated in the PRC on December 17, 2010 and is indirectly wholly-owned by Ms. Wang. It operates under the name of “WH Ming Hotel” (小南國花園酒店) (the “Hotel”), which is located at No.601, Yingkou Road, Shanghai, and principally engages in the hospitality business. The Hotel is expected to commence business in December 2011 or the beginning of 2012. None of our Directors is involved in the daily management and operation of the Hotel. Our Group has entered into a lease agreement to lease premises in the Hotel to operate restaurants under the brand of “Shanghai Xiao Nan Guo” or “Maison De L’Hui”. For details of the property lease agreement, please refer to the section headed “Connected Transactions — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions Subject to Reporting and Announcement Requirements — Property Lease Agreements”. According to the best knowledge of our Company, save as the above, Ms. Wang or her associates will not operate any Chinese restaurant in the Hotel, but may operate non-Chinese restaurants in the Hotel. Since the focus of the Hotel is its hotel service, its target customers are mainly tourists, and the restaurant inside the Hotel will be operated by our Group, our Directors consider that the Hotel business does not compete, and is not likely to compete either directly or indirectly, with our Group’s business.

CALL OPTION DEED

Option to Acquire

Ms. Wang and our Company entered into an option agreement dated September 5, 2011 (“Call Option Deed”), pursuant to which Ms. Wang granted to our Group an exclusive and irrevocable option (the “Call Options”), at our sole and absolute discretion, to acquire all or part of the issued share capital or registered capital held by Ms. Wang in Shanghai Xin Di and WHM Japan Co., Ltd at a price equal to the cost of investment by Ms. Wang in each of the respective businesses and her shareholder’s loan to each of the respective businesses as of the date immediately prior to the date on which a written notice is sent by our Company or any company of our Group to Ms. Wang, subject to the necessary governmental approvals, board approvals and shareholders’ approvals (as required under the Listing Rules, if applicable).

In addition, the following additional corporate measures will be adopted by our Company to protect the minority Shareholders’ rights:-

1. decision for the exercise or non-exercise of the Call Options shall be determined by our independent non-executive Directors only;
2. our independent non-executive Directors are empowered to engage professional advisors at our cost for advices on matters relating to the Call Options; and
3. our Company will disclose in an announcement on the decision, with basis, of our independent non-executive Directors to pursue or decline the exercise of the Call Options.

As at the date of this prospectus, our Directors have not exercised and currently have no plan to exercise any of the Call Options. The Call Options will be exercised in the best commercial interests of public Shareholders and will be determined by our independent non-executive Directors upon taking appropriate professional advice as above-mentioned, and having considered, as a minimum, (i) our Company’s management resources, (ii) Shanghai Xin Di and WHM Japan Co., Ltd’s respective

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competitive strengths and business prospects, and (iii) their financial positions. If the Call Options will in the future be exercised, the acquisition will be financed through our internal resources or through obtaining external financings, or a combination of both, depending on the financial positions of our Group at the relevant time.

DEED OF NON-COMPETITION

The Controlling Shareholders have entered into a deed of non-competition (the “Deed of Non-competition”) on September 5, 2011 in favor of our Company, pursuant to which each of the Controlling Shareholders has unconditionally and irrevocably undertaken to our Company (for itself and for the benefit of each other member of our Group) that she/it would not, and would procure that her/its associates (other than any members of our Group) would not, during the Restricted Period (as defined below), directly or indirectly, either on her/its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any activity or business which is or may be in competition, directly or indirectly with the business referred to in this prospectus carried on or contemplated to be carried on by any member of our Group from time to time (the “Restricted Business”).

Each of the Controlling Shareholders has also undertaken to our Company the following:-

- (a) to provide all information requested by our Company which is necessary for an annual review by our independent non-executive Directors of her/its compliance with the Deed of Non-competition and the enforcement of the Deed of Non-competition;
- (b) to procure our Company to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of her/its non-competition undertakings either through the annual report, or by way of announcements to the public; and
- (c) to make an annual declaration on compliance with his/her/its undertaking under the Deed of Non-competition in the annual reports of our Company as the independent non-executive Directors think fit and/or as required by the relevant requirements under the Listing Rules.

The Deed of Non-competition does not apply to:

- (a) the holding of or interests in the shares of any member of our Group ; or
- (b) the Excluded Businesses;
- (c) the holding of our interests in the shares of a company other than our Group whose shares are listed on a recognized stock exchange provided that:
 - (i) the relevant Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or

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- (ii) the total number of the shares held by the relevant Controlling Shareholder and/or her/its associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and her/its respective associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company (together, where appropriate, with its associates) whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholder in aggregate and/or her/its associates in aggregate.

The “Restricted Period” stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) the relevant Controlling Shareholder and her/its associate holds an equity interest in our Company; and (iii) the relevant Controlling Shareholder and/or her/its associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company. In other words, if our Company is no longer listed on the Stock Exchange or the relevant Controlling Shareholder comes to hold less than 30% of the Shares then issue, the Deed of Non-competition will not apply. We believe the 30% threshold is justifiable as it is equivalent to the thresholds applied under the Listing Rules and the Hong Kong Code on Takeovers and Mergers for the concept of “control”.

The Controlling Shareholders have further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Business (the “New Opportunities”) given, identified or offered to her/it and/or any of her/its associates (other than any members of our Group) (the “Offeror”) is first referred to us in the following manner:

- (a) each of the Controlling Shareholders is required to, and shall procure her or its associates (other than members of our Group) to, refer, or to procure the referral of, the New Opportunities to our Company, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (i) such New Opportunities would constitute competition with our core business, and (ii) it is in the interest of our Group to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs) (the “Offer Notice”); and
- (b) the Offeror will be entitled to pursue the New Opportunities only if (i) the Offeror has received a notice from us declining the New Opportunities and confirming that such New Opportunities would not constitute competition with our core business, or (ii) the Offeror has not received such notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we shall seek opinions and decisions from our independent non-executive Directors who do not have a material interest in the matter as to whether (i) such New Opportunities would constitute competition with our core business, and (ii) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunities.

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CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of the Controlling Shareholders and to safeguard the interests of the Shareholders:

- (i) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by the Controlling Shareholders;
- (ii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition by the Controlling Shareholders in the annual reports of our Company;
- (iii) in the event that connected transactions between our Group and the Excluded Businesses or other business in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;
- (iv) our Directors operate in accordance with the Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his or her associates is materially interested;
- (v) pursuant to the Code of Corporate Governance Practices (the “Code”) in accordance with Appendix 14 of the Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company’s cost; and
- (vi) our information technology department will review, on a monthly and quarterly basis, our enterprise resources planning system (“ERP System”) to ascertain the users of the system and to monitor and ensure that the Excluded Businesses are prohibited from receiving any information of our Group through the ERP System. Also, the Excluded Businesses will enter into a separate agreement with the enterprise resources planning system supplier and will adopt an independent enterprise resources planning system for their own use. Please refer to the sections headed “Business — Information Technology” and “Connected Transactions — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions Subject to Reporting and Announcement Requirements — Framework Integrated Service Agreement” for further information of our enterprise resource planning systems.

Our Company is expected to comply with the Code which sets out principles of good corporate governance in relation to, among others, Directors, the chairman and chief executive officer, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the Code, and will provide details of, and reasons for, any deviations from it in the Corporate Governance Report which will be included in our annual report.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that we are capable of carrying out its business independently of the Controlling Shareholders and their respective associates after the Listing.

Management Independence

The following table set out the positions held by the Directors in our Company, the Excluded Businesses and other associates of the Controlling Shareholders:

Name of Directors	Position in our Company	Directorship held in the Excluded Businesses	Directorship held in other associates of the Controlling Shareholders ^(Note)
Ms. Wang	Chairlady and Executive Director	Shanghai Xin Di An Heng (Shanghai) Restaurant Management Co., Ltd. Shanghai Yi Guo Tang Tang He Yuan Spa Pudong Spa Jing'an Spa WH Ming Hotel	Shanghai Xiao Nan Guo Group Multi Concepts Shun Hang International Development Limited Allied First (H.K.) Limited Nan Feng
WU Wen (吳雯)	Executive Director	N/A	N/A
KANG Jie (康捷)	Executive Director and Chief Executive Officer	N/A	N/A
WANG Huili (王慧莉)	Non-executive Director	WHM Japan Co., Ltd.	N/A
TANG Donald Wei (唐偉)	Non-executive Director	N/A	N/A
WENG Xiangwei (翁向煒)	Non-executive Director	N/A	N/A
TSANG Henry Yuk Wong (曾玉煌)	Independent Non-executive Director	N/A	N/A
WANG Chiwei (王赤衛)	Independent Non-executive Director	N/A	N/A
WANG Yu (王煜)	Independent Non-executive Director	N/A	N/A

Note: Other associates of the Controlling Shareholders referred to in this column are the holding companies of the Excluded Businesses.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Save as disclosed above, none of our Directors or members of our senior management holds any position or has any roles or responsibility in the Excluded Businesses or with the Controlling Shareholders or with any other associates of the Controlling Shareholders. Please refer to the section headed “Directors and Senior Management” in this prospectus for the roles and responsibilities of our Directors and senior management of our Group.

Ms. Wang assumes directorships in the Excluded Businesses referred to in the above table because she is exercising her rights as the controlling shareholder (as defined under Listing Rules) of those Excluded Businesses to have representation to look after her own interests and she is not involved in the daily operation and management of the Excluded Businesses referred to in the above table. Apart from Ms. Wang’s directorship and management role at Shanghai Xiao Nan Guo Group, our Company, the Excluded Businesses and other associates of the Controlling Shareholders are managed by different management personnel. Our Directors are satisfied that Ms. Wang, Ms. Wu Wen, Mr. Kang Jie and Ms. Wang Huili are able to perform their roles in our Company independently, and our Directors are of the view that our Board is able to manage our business independently from the Controlling Shareholders and her/its associates for the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a Director of our Company, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Director or their respective associates, the interested Directors(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (c) our Board comprises nine Directors and three of them are independent non-executive Directors, which represents more than one-third of the members of the Board. Certain matters of our Company, including matters referred to in the Deed of Non-competition, details of which are set out above, must always be referred to the independent non-executive Directors for review. This helps to enhance the independence of our management from that of the Controlling Shareholders;
- (d) we have established the Audit Committee and a remuneration committee. Currently the independent non-executive Directors constitute a majority of the Audit Committee and the remuneration committee. In the event of change of a member to the Audit Committee and the remuneration committee, no less than majority of the Audit Committee and the remuneration committee shall be made up of independent non-executive Directors; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders, which would provide strong support to our independent management. Please refer to the section headed “— Corporate Governance Measures” above for further information of our corporate governance measures.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational Independence

We have established our own operational structure consisting of separate departments, including finance department, procurement department, production department, sales and marketing control department, inventory control department and administration department etc., each with specific areas of responsibility. We have established a set of internal control procedures to facilitate the effective operation of our businesses. We have also established an enterprise resource planning system with different sets of security codes used by our Group and the Excluded Businesses for accessing the system.

During the Track Record Period, certain Excluded Businesses entered into related party transactions with our Group during our ordinary course of business. Such related party transactions entered into by us during the Track Record Period are disclosed in note 36 to the Accountants' Report set out in Appendix I to this prospectus. Amongst them, we have entered into a lease agreement and will further enter into other leases with certain companies controlled by Ms. Wang. Certain companies controlled by Ms. Wang supplied Japanese food materials for the use of Shanghai Xiao Nan Guo Restaurant. Also, we have entered into trademark license agreements under which Ms. Wang (for herself and on behalf of companies controlled by her) granted license of certain trade marks to us for the use of our Group's business.

In relation to our leasing of premises from the companies owned by Ms. Wang, these tenancy agreements were entered into on normal commercial terms after arm's length negotiations and the rentals payable by our Group are fair and reasonable and consistent with the prevailing market rates for similar premises in similar locations in the PRC. Our Directors are of the view that even if these tenancy agreements are terminated and the relevant premises are no longer available to our Group, our Group would be able to find suitable premises from third party landlords in the same districts to satisfy its need for alternative premises for its business operation without undue delay or inconvenience.

In relation to the purchase of Japanese food materials through the companies controlled by Ms. Wang, our Directors confirm that these transactions help to maintain the quality of food materials for our Group since the food materials are directly purchased from Japan through Ms. Wang's associates operating restaurant business in Japan. The purchase price payable by our Group is fair and reasonable and the transactions are in the best interests of our Group and Shareholders as a whole. Our Directors are of the view that if there is a shortage of supply of Japanese food materials in Japan, our Group can easily change its menu to serve other dishes using alternative food materials.

Our Directors confirmed that, save and except for the continuing connected transactions set out in the section headed "Connected Transactions" in this prospectus, the related party transactions will be discontinued after the Listing. Our Directors consider that our operations do not rely on the supply or services provided by the related parties. Our Directors (including the independent non-executive Directors) consider that the transactions set out in the section headed "Connected Transactions" in this prospectus have entered into in the ordinary and usual course of business of our Group and have been based on arm's length negotiation and on normal commercial terms that are in the interest of our Group and our Shareholders as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial Independence

We received financial assistance from Ms. Wang and/or companies controlled by her by way of guarantees and/or pledge of properties owned by the companies controlled by Ms. Wang in respect of which the relevant banks granting the credit facilities to us have agreed in principle to release all such guarantees and/or pledges provided by Ms. Wang and/or companies controlled by her before or upon Listing. The guarantees provided by Ms. Wang and the companies controlled by her during each of the years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011 were RMB21.8 million, RMB60.0 million, RMB80.0 million and RMB70.0 million, respectively.

We have our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and we make financial decision according to our own business needs. Our accounting and finance department will be responsible for the financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns. We believe that we are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on Ms. Wang or any of the Controlling Shareholders.

In view of the above, our Directors consider that we are capable of carrying on our business independently of, and do not place undue reliance on the Controlling Shareholders.

CONNECTED TRANSACTIONS

OVERVIEW

Following the completion of the Global Offering, we will continue to have certain transactions that constitute continuing connected transactions of our Company within the meaning of the Listing Rules. Set out below is a summary of these transactions, exempt or non-exempt (as the case may be) and, where applicable, the waivers we have applied for and been granted by the Stock Exchange.








<u>Nature of the Transaction</u>	<u>Applicable Stock Exchange Listing Rule</u>	<u>Waivers Applied for and Granted</u>
Trademark License Agreements	Rule 14A.33(3)	None
Property Lease Agreements	Rule 14A.34	Waiver from announcement requirement
Framework Food Sales and Processing Agreement	Rule 14A.34	Waiver from announcement requirement
Framework Food Material Purchase Agreement	Rule 14A.34	Waiver from announcement requirement
Framework Integrated Service Agreement .	Rule 14A.34	Waiver from announcement requirement

CONTINUING CONNECTED TRANSACTIONS

Exempted Continuing Connected Transactions

Trademark License Agreements

Background

During the Track Record Period, certain subsidiaries of our Group had historically been using the trademarks “小南国” “MAISON DE LHUI” and other marks and logos, including “小南国”, “小南国”, “SHANGHAI
XIAO NAN GUO”, “慧公馆”, “MAISON DE LHUI”, which are owned by Ms. Wang or her wholly-owned companies (the “Licensors”), at nil consideration.

The Licensors had not transferred or procured the transfer of the ownership of the above trademarks to our Group because most of these trademarks bear the words “小南国”, which are also used by some of the Excluded Businesses. Please refer to the section headed “Relationship with the Controlling Shareholders — Excluded Businesses of Ms. Wang” for further details of the Excluded Businesses. Since the costs incurred by the Licensors to protect the trademarks are not substantial, our Group had not paid any license fee for using the trademarks owned by the Licensors during the Track Record Period.

Relationship

Ms. Wang is our Director and a connected person, and her wholly-owned companies are associates of a connected person under the Listing Rules.

CONNECTED TRANSACTIONS

Future services

In anticipation of the Global Offering, our Company entered into a Hong Kong trademark license agreement and a PRC trademark license agreement (collectively the “Trademark License Agreements”) with Ms. Wang on August 18, 2011 to ensure that our Group will continue to be able to use the above trademarks and other trademarks as set forth in the section headed “Statutory and General Information — B. Further Information about Our Business — 2. Our Intellectual Property Rights”. The term of the license is for an initial term of ten (10) years, which will be renewed automatically for each successive term of ten (10) years upon the expiry of each term. Pursuant to the Trademark License Agreements, Ms. Wang (for herself or on behalf of companies controlled by her) has granted our Company an exclusive and non-transferable license to use such trademarks, with a right to sublicense to any of our subsidiaries or Independent Third Parties for the benefit of our Group’s business, subject to the terms and conditions contained in the Trademark License Agreements.

Historical transaction amount

During the Track Record Period, there was no historical amount in respect of the license fee paid by our Group to Ms. Wang or companies controlled by her since the historical licenses were granted at nil consideration.

Annual cap on future transaction amounts

Under the Trademark License Agreements, the license fees payable to Ms. Wang are charged at RMB1.00 per annum for the first thirty (30) years from the date of each of the Trademark License Agreements (“Initial Period”). The license fees were agreed after arm’s length negotiation between our Company and Ms. Wang since Ms. Wang would like to show her continued support of our Group’s business after the Listing. The license fee will be renegotiated and agreed by the parties before the expiry of the Initial Period.

Term and termination

The term of each of the Trademark License Agreements exceed three years. The Directors consider that the licensed trademarks are crucial to the operation of our Group as our Group’s restaurant business have already built up its brands in Hong Kong and in the PRC, and the extended term with an automatic renewal provision after each term will afford a greater stability and continuity of our business.

Our Company has the right to terminate the Trademark License Agreements by giving one (1) month prior written notice to Ms. Wang. On the contrary, Ms. Wang agreed that she has no right to terminate or revoke any of the Trademark License Agreements without our prior written consent. The Trademark License Agreements will be terminated under the following circumstances:-

- (i) if upon the expiry of five (5) years from the date on which our Company passed a board resolution confirming not to use a particular trademark (“Unused Trademark”), the Trademark License Agreements will, in respect of the relevant Unused Trademark only and, for the avoidance of doubt, not in respect of all the other licensed trademarks in general, no longer has any binding effect on the Unused Trademark and Ms. Wang shall have the right to use or otherwise deal with the Unused Trademark for any purpose she considers appropriate; and

CONNECTED TRANSACTIONS

- (ii) in the event that (a) our Group has withdrawn our securities from listing on the Stock Exchange; or (b) has been demanded by any regulatory authority to withdraw our securities from listing on the Stock Exchange; or (c) has failed to have successfully listed its securities on the Stock Exchange within three (3) years from the date of each of the Trademark License Agreements, whichever is earlier, the Trademark License Agreements will be terminated automatically.

Ms. Wang's Undertakings

Pursuant to each of the Trademark License Agreements, Ms. Wang (as the sole beneficial owner of the trademarks used in the Excluded Businesses) undertakes that:-

- (i) the trademarks used in the Excluded Businesses shall not be assigned or transferred to any third party, whether together with the Excluded Businesses or otherwise, including without limitation in the event that any or all of Ms. Wang or her associates' equity interests in any of the Excluded Businesses are being transferred to a transferee, which is not any member of our Group;
- (ii) any trademark that has been registered, adopted or used by the high-end hotel business which has and/or will be established by the Ms. Wang ("Hotel Business"), shall not be assigned or transferred to any third party, whether together with the Hotel Business or otherwise, including without limitation in the event that any or all of Ms. Wang's equity interests in any of the Hotel Business is being transferred to a transferee, which is not any member of our Group;
- (iii) if any of the Excluded Businesses has been acquired by our Group, irrespective of whether the acquisition is due to the exercise of any call options by our Group, Ms. Wang agrees and shall ensure that all trademarks used for such Excluded Businesses will also be transferred to our Group together with such Excluded Businesses and can be used by our Group in accordance with the same terms and conditions as in the Trademark License Agreements; and
- (iv) if we intend to use any marks or logos, which are in our opinion similar to any of the trademarks that had been licensed to our Group, whether in the same or a different territory and/or for the same or different classes of goods or services, Ms. Wang undertakes to apply for registration with the suitable trade mark registry for the marks or logos we intend to use within ten (10) days upon receipt of a written notice from us and to license such newly obtained trademark(s) to our Group for use in accordance with the same terms and conditions as in the Trademark License Agreements. In the event that Ms. Wang fails to take any action within ten (10) days after she receives the notice, we are entitled to proceed with the registration of such marks or logos without the need to further obtain any consent from Ms. Wang and Ms. Wang shall not oppose such applications but shall provide all consents as may be required for such registrations.

Please refer to the section headed "Relationship with Controlling Shareholders — Excluded Businesses of Ms. Wang" for details of our Group's Excluded Businesses.

CONNECTED TRANSACTIONS

Ms. Wang has further undertaken, amongst others, not to take the following actions unless with the prior written consent of our Group:-

- (a) transfer, assign, de-register or do or permitted to be done any action that would result in her ceasing to have full and complete ownership and rights in relation to any of the trademarks that had been licensed to us;
- (b) save and except for the license granted under the Trademark License Agreements, create or permit the creation of any encumbrance, charges, third party rights or interests over any of the trademarks;
- (c) register, adopt or use, and will not allow any person other than our Group to register, adopt or use the trademarks that have been licensed to us or any other similar trademarks, tradename, logo, name or symbol except that she has reserved the right for herself and her associates to register, adopt or use any trademark bearing the word “Xiao Nan Guo”, “小南國” and “小南国” for the Hotel Business as one of the Excluded Businesses; and
- (d) impose further restrictions on the use of the trademarks against our Group save for the terms and conditions agreed upon in the Trademark License Agreement.

Also, Ms. Wang has agreed to automatically assign to us the trademarks that have been licensed to us in the event that there is any bankruptcy, liquidation, winding-up proceedings filed against her or any similar event that may lead to Ms. Wang’s insolvency and that the Trademark License Agreements shall remain binding in the event of Ms. Wang’s bankruptcy, mental incapacity or ceasing to be a Controlling Shareholder.

Based on the foregoing, our Directors, including our independent non-executive Directors, are of the opinion that a term exceeding three years is required for the Trademark License Agreements, and that the extended terms, coupled with the termination provision and Ms. Wang’s undertakings, are beneficial to us, and confirm that it is normal business practice for contracts of this type to be of such duration.

Non-exempt Continuing Connected Transactions Subject to Reporting and Announcement Requirements

After completion of the Global Offering, the following transactions will be regarded as continuing connected transactions subject to reporting and announcement requirements under Rule 14A.34 of the Listing Rules.

Property Lease Agreements

Hongmei Lease

Background

During the Track Record Period, Shanghai Hongqiao had leased the premises of a total gross floor area of approximately 8,800 sq.m. located at Block 4, No.3337 Hongmei Road, Shanghai (上海虹梅路3337號第4棟) (the “Hongmei Premises”) to Shanghai Hongmei Xiao Nan Guo Restaurant

CONNECTED TRANSACTIONS

Co., Ltd. (上海虹梅小南國餐飲有限公司) (“Shanghai Hongmei”), an indirectly wholly-owned subsidiary of our Company for use as restaurant at RMB 4 million per annum (calculated based on RMB1.25 per sq.m. per day). The annual rental was determined at the then prevailing market rate for similar premises in the vicinity of the Hongmei Premises.

Since January 1, 2010, Shanghai Hongqiao has provided property management and security services (the “Services”) to Shanghai Hongmei at the Hongmei Premises and has charged RMB550,000 as the Services fee for the year ended December 31, 2010, which represented the actual costs incurred for the Services.

Relationship

Shanghai Hongqiao is an indirectly wholly-owned subsidiary of Ms. Wang, and is therefore an associate of a connected person under the Listing Rules.

Future services

In anticipation of the Global Offering, our Company entered into a new lease agreement with Ms. Wang on August 12, 2011 (the “Hongmei Lease Agreement”), pursuant to which Shanghai Hongmei agreed to lease from Shanghai Hongqiao the Hongmei Premises. The parties of the Hongmei Lease Agreement also agreed to continue with the Services provided by Shanghai Hongqiao. The term of the lease granted under the Hongmei Lease Agreement is valid from January 1, 2011 to December 31, 2013. The rental of the Hongmei Lease Agreement shall be RMB4 million which was determined based on the prevailing market rates and arm’s length negotiations between Ms. Wang and our Group, and the Services fees will continue to be the actual costs incurred for the Services.

Under the Hongmei Lease Agreement, our Company has the right to terminate the lease of the Hongmei Premises and the Services at the Hongmei Premises at any time prior to its expiry at our Company’s discretion. As such, our Company enjoys the flexibility to relocate to another premise and to terminate the Services at any time should it consider the Hongmei Premises or the Services provided no longer suitable for our Group’s use or no longer cost-competitive.

The Hongmei Lease Agreement is renewable at the option of our Company. Should there be any renewal of the term of the Hongmei Lease Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

Historical transaction amounts

Shanghai Hongqiao has leased the Hongmei Premises to Shanghai Hongmei since July 1, 2008, and has provided the Services to Shanghai Hongmei since January 1, 2010. The aggregate amounts of rental charged from Shanghai Hongqiao to our Group for the three years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011 were RMB2.0 million, RMB4.0 million, RMB4.0 million and RMB1.7 million, respectively, and the aggregate amounts of Services fees charged from Shanghai Hongqiao to our Group for the three years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011 were RMB0 million, RMB0 million, RMB0.55 million and RMB0.23 million, respectively.

CONNECTED TRANSACTIONS

Yingkou Lease

On August 12, 2011, Shanghai Xiao Nan Guo Group entered into a lease agreement (the “Yingkou Lease Agreement”) with Shanghai Xiao Nan Guo Restaurant, an indirectly wholly-owned subsidiary of our Company, pursuant to which Shanghai Xiao Nan Guo Restaurant agreed to lease from Shanghai Xiao Nan Guo Group the premises of a total gross floor area of approximately 8,600 sq.m. located at 601 Yingkou Road, Shanghai (上海營口路601號) (the “Yingkou Premises”), of which approximately 4,600 sq.m. would be used as restaurants and approximately 4,000 sq.m. would be used as office premises, at a rental that shall not exceed RMB12.6 million per annum. A fixed rent would be paid for leasing the office premises, while a contingent rent would be paid for leasing the restaurant premises, the amount of which is to be determined by the parties to the Yingkou Lease Agreement depending on the revenue income of the restaurant at the Yingkou Premises after its grand opening in early December 2011.

The parties of the Yingkou Lease Agreement also agreed that Shanghai Xiao Nan Guo Group would provide the Services to Shanghai Xiao Nan Guo Restaurant at the Yingkou Premises.

The rental payment period of the lease granted under the Yingkou Lease Agreement is from December 1, 2011 to November 30, 2014. The annual rental was determined at the then prevailing market rate for similar premises in the vicinity of the Yingkou Premises and arm’s length negotiation between Shanghai Xiao Nan Guo Group and Shanghai Xiao Nan Guo Restaurant, and the Services fees will be the actual costs incurred for the Services. The Yingkou Lease Agreement has been effective upon signing, and the lessor of Yingkou Premises has already started the decoration of the premises according to our Company’s requirements in order for the premises to be ready for the physical occupation by our Company on December 1, 2011. Our Company is contractually bound to the terms of the lease upon signing of the lease agreement.

Under the Yingkou Lease Agreement, our Company has the right to terminate the lease of the Yingkou Premises and the Services at the Yingkou Premises at any time prior to its expiry at our Company’s discretion. As such, our Company enjoys the flexibility to relocate to another premise and to terminate the Services at any time should it consider the Yingkou Premises or the Services provided no longer suitable for our Group’s use or no longer cost-competitive.

The Yingkou Lease Agreement is renewable at the option of our Company. Should there be any renewal of the term of the Yingkou Lease Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

Relationship

Shanghai Xiao Nan Guo Group is an indirectly wholly-owned subsidiary of Ms. Wang, and is therefore an associate of a connected person under the Listing Rules.

Historical transaction amounts

There was no historical amount in respect of the Yingkou Premises during the Track Record Period since the rental payment period of the Yingkou Premises will only commence on December 1, 2011.

CONNECTED TRANSACTIONS

Annual cap on future transaction amounts

The maximum aggregate annual amount of rentals and Services fees payable to Ms. Wang or companies controlled by her by our Group for the years ending December 31, 2011, 2012 and 2013 shall not exceed the caps set out below:

	Proposed Annual Cap for the years ending December 31		
	2011	2012	2013
	(RMB in millions)		
Rental payable			
Hongmei Lease Agreement	4.0	4.0	4.0
Yingkou Lease Agreement	1.05	12.6	12.6
Total rental payable	5.05	16.6	16.6
Services fees payable			
Hongmei Lease Agreement	0.8	0.8	0.8
Yingkou Lease Agreement	0.25	3.0	3.0
Total Services fees payable	1.05	3.8	3.8
Total rental and Services fees payable	6.1	20.4	20.4

In arriving at the above annual caps of rental payable, our Directors have considered (i) the historical rental paid by Shanghai Hongmei to Shanghai Hongqiao; (ii) the rental payment period of the Yingkou Premises will only commence on December 1, 2011; (iii) the market rental of the properties in the same area and of similar grading as the Hongmei Premises and the Yingkou Premises; and (iv) the market practice that the smaller the size of the leased premises, the higher the rental per sq.m. will be, which results in the estimate that the rental per sq.m. of the Yingkou Premises will be approximately RMB 4.0 per day. In arriving at the above annual caps of Services fees payable, our Directors have considered the expected increase in the actual expenses which will be incurred for provision of the Services to RMB0.8 million per year in view of the increase in the number of leases to be entered into between Ms. Wang or companies controlled by her and our Group.

Our Directors, after reviewing the Hongmei Lease Agreement and the Yingkou Lease Agreement have confirmed that the terms and conditions of the Hongmei Lease Agreement and the Yingkou Lease Agreement (i) are fair and reasonable to the parties thereto; and (ii) reflect prevailing market conditions in the PRC. Also, the proposed annual rental and Services fees pursuant to the Hongmei Lease Agreement and the Yingkou Lease Agreement are comparable to or more favorable than the prevailing market rate and is fair and reasonable.

Framework Food Procurement and Processing Agreement

Background

During the Track Record Period, Shanghai Xiao Nan Guo Restaurant, an indirectly wholly-owned subsidiary of our Company, had provided food procurement and food processing services to Tang He Yuan Spa, Pudong Spa and Shanghai Xin Di, Excluded Businesses owned by Ms. Wang, our ultimate Controlling Shareholder. Please refer to the section headed “Relationship with Controlling Shareholders — Delineation of our Business from the Excluded Businesses” for the businesses of Tang He Yuan Spa, Pudong Spa and Shanghai Xin Di.

CONNECTED TRANSACTIONS

During the Track Record Period, Shanghai Xiao Nan Guo Restaurant also provided food procurement and food processing services to Xiao Nan Guo WFOE, one of our subsidiaries, for its operation of the spa business. However, from January 1, 2011 onwards, Shanghai Xiao Nan Guo Restaurant has ceased to provide any services to Xiao Nan Guo WFOE and has commenced providing food procurement and food processing services to Jing'an Spa, a wholly-owned subsidiary of Shanghai Xiao Nan Guo Group, after Shanghai Xiao Nan Guo Group acquired the spa business from Xiao Nan Guo WFOE for Jing'an Spa, which was in the process of establishment on December 31, 2010 and was duly established on March 7, 2011.

Relationship

The Tang He Yuan Spa, Pudong Spa and Jing'an Spa are directly or indirectly owned as to 55%, 55% and 100%, respectively by Ms. Wang, while Shanghai Xin Di is indirectly wholly-owned by Ms. Wang. Therefore, each of the above-mentioned companies is an associate of a connected person under the Listing Rules.

Future services

In anticipation of the Global Offering, our Company entered into a framework food procurement and processing agreement with Ms. Wang (for herself and on behalf of companies controlled by her) on August 12, 2011 (the "Framework Food Procurement and Processing Agreement"), which will be valid from the execution date to December 31, 2013. Under the Framework Food Procurement and Processing Agreement, our Company will continue to procure any member of our Group to provide food materials procurement and food processing services to Tang He Yuan Spa, Pudong Spa, Jing'an Spa and Shanghai Xin Di at 3.0% and 15.0% of the cost of the food materials for the food procurement service and the food processing service, respectively.

Historical transaction amounts

The historical amounts charged to Tang He Yuan Spa by our Group for the three years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011 were RMB 145,997, RMB 53,226, RMB327,081 and RMB137,025, respectively, which were calculated based on (i) 8.0% of the cost of the food materials for the food processing service for the two years and nine months ended September 30, 2010; and (ii) 3.0% of the cost of the food materials for the food procurement service and 15.0% of the cost of the food materials for the food processing service for the three months ended December 31, 2010.

The historical amounts charged to Pudong Spa by our Group for the three years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011 were RMB162,260, RMB63,582, RMB408,625 and RMB142,006, respectively, which were calculated based on (i) 8.0% of the cost of the food materials for the food processing service for the two years and nine months ended September 30, 2010; and (ii) 3.0% of the cost of the food materials for the food procurement service and 15.0% of the cost of the food materials for the food processing service for the three months ended December 31, 2010.

CONNECTED TRANSACTIONS

The historical amounts charged to Xiao Nan Guo WFOE by our Group for the three years ended December 31, 2008, 2009 and 2010 were RMB29,551, RMB12,531 and RMB60,502, respectively and the historical amount charged to Jing'an Spa for the five months ended May 31, 2011 was RMB31,631, which were calculated based on (i) 8.0% of the cost of the food materials for the food processing service for the two years and nine months ended September 30, 2010; and (ii) 3.0% of the cost of the food materials for the food procurement service and 15.0% of the cost of the food materials for the food processing service for the three months ended December 31, 2010.

Since July 1, 2010, Shanghai Xiao Nan Guo Restaurant has started providing food procurement and food processing service to Shanghai Xin Di, and the amount charged to Shanghai Xin Di by our Group for the year ended December 31, 2010 and the five months ended May 31, 2011 was RMB134,599 and RMB162,443, respectively, which was calculated based on 3.0% of the cost of the food materials for the food procurement services and 15.0% of the cost of the food materials for the food processing service.

Annual cap on future transaction amounts

The maximum aggregate annual amounts payable by Ms. Wang or companies controlled by her to our Group for the years ending December 31, 2011, 2012 and 2013 shall not exceed the caps set out below:

	Proposed Annual Cap for the years ending December 31		
	2011	2012	2013
	(RMB in millions)		
Total amount receivable	2.0	3.4	5.7

In arriving at the above annual caps, our Directors have considered (i) the transaction amounts charged to Tang He Yuan Spa, Pudong Spa, Xiao Nan Guo WFOE and Shanghai Xin Di by our Group during the Track Record Period; (ii) the increase in the food processing charges from 8.0% of the cost of the food materials on or before September 30, 2010 to 15.0% of the cost of the food materials on or after October 1, 2010; (iii) the expected growth in demand for the food materials and the food processing services based on the historical increment in the amount charged to Tang He Yuan Spa, Pudong Spa and Xiao Nan Guo WFOE by our Group from 2009 to 2010; and (iv) the expansion plan of Shanghai Xin Di from three outlets as of the Latest Practicable Date to approximately 9, 15 and 27 for the three years ending December 31, 2013.

Framework Food Material Purchase Agreement

Background

During the Track Record Period, Xiao Nan Guo Nutritional, an indirect wholly-owned subsidiary of our Company, had imported Japanese food materials from Japan on a regular basis for the operation of our Group's restaurants. As required under the PRC Law, Xiao Nan Guo Nutritional has appointed Independent Third Party agents to purchase, on its behalf, the Japanese food materials from WHM Japan Co., Ltd. in order to maintain the quality of the Japanese food materials for our Group. Please refer to the section headed "Relationship with Controlling Shareholders — Delineation of our Business from the Excluded Businesses" for the business of WHM Japan Co., Ltd.

CONNECTED TRANSACTIONS

Relationship

WHM Japan Co., Ltd. is indirectly wholly-owned by Ms. Wang, and is therefore an associate of a connected person under the Listing Rules.

Future services

In anticipation of the Global Offering, our Company entered into a framework food material purchase agreement with Ms. Wang (for herself and on behalf of companies controlled by her) on August 12, 2011 (the “Framework Food Material Purchase Agreement”) for a term valid from the execution date to December 31, 2013. Under the Framework Food Material Purchase Agreement, our Company will continue to procure any and all members of our Group to appoint Independent Third Party agents to purchase Japanese food materials from Ms. Wang or companies controlled by her for the use of our Group’s restaurants.

Historical transaction amounts

The historical amounts charged to our Group by WHM Japan Co., Ltd. for the three years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011 were nil, nil, RMB5.6 million and RMB1.2 million, respectively, which were determined by the actual costs incurred for the purchase of the food materials.

Annual cap on future transaction amounts

The maximum aggregate annual amounts payable by our Group to Ms. Wang and companies controlled by her for the years ending December 31, 2011, 2012 and 2013 shall not exceed the caps set out below:

	Proposed Annual Cap for the years ending December 31		
	2011	2012	2013
	(RMB in millions)		
Total amount payable	2.4	12.1	15.9

In arriving at the above caps, our Directors have considered (i) our plan to cease importing food material from Japan between March and October, 2011 and resume purchase from November, 2011 subject to an internal evaluation that the quality of the relevant food materials is satisfactory, which lead to a much lower base in 2011; (ii) the historical amounts paid by our Group to WHM Japan Co., Ltd. for the year ended December 31, 2010, which represented approximately 2% of our Group’s costs of inventories consumed in the PRC; and (iii) the proposed increase in the number of our Group’s restaurants from 36 as of December 31, 2010 to approximately 58, 84 and 117 in 2011, 2012 and 2013, respectively and the corresponding increase in the overall demand for food materials.

CONNECTED TRANSACTIONS

Framework Integrated Service Agreement

Background

Since July 2010, Shanghai Xiao Nan Guo Restaurant, an indirectly wholly-owned subsidiary of our Group, has provided management services to Shanghai Xiao Nan Guo Group and its subsidiaries, including services in respect of administration, legal, human resources, financial management, accounting, information technology for the enterprise resource planning system jointly used by our Group and Shanghai Xiao Nan Guo Group and its subsidiaries, and any other services in relation to the management of Shanghai Xiao Nan Guo Group as agreed by the parties from time to time (“Integrated Services”), for a monthly fee of RMB250,000.

Relationship

Shanghai Xiao Nan Guo Group is indirectly wholly-owned by Ms. Wang, and is therefore an associate of a connected person under the Listing Rules.

Future services

In anticipation of the Global Offering, our Company entered into a framework integrated service agreement with Ms. Wang (for herself and on behalf of companies controlled by her) on August 12, 2011 (the “Framework Integrated Service Agreement”). Under the Framework Integrated Service Agreement, our Company agrees to provide and to procure any and all members of our Group to continue to provide the Integrated Services to Ms. Wang or any of her companies for an initial term of three years, which will be renewed at the option of our Company for each successive term of three years upon the expiry of each term.

Our Company has the right to terminate the Framework Integrated Service Agreement at any time prior to its expiry at our Company’s discretion.

The Framework Integrated Service Agreement is renewable at the option of our Company. Should there be any renewal of the term of the Framework Integrated Service Agreement, our Company will ensure compliance with all relevant requirements under Chapter 14A of the Listing Rules.

Historical transaction amounts

Shanghai Xiao Nan Guo Restaurant had provided the Integrated Services to Shanghai Xiao Nan Guo Group and its subsidiaries since July 1, 2010. The historical figures of the fees charged to Shanghai Xiao Nan Guo Group and its subsidiaries by Shanghai Xiao Nan Guo Restaurant in relation to the Integrated Services for the year ended December 31, 2010 and the five months ended May 31, 2011 were RMB 1.5 million and RMB1.25 million, respectively, which were determined with reference to the costs and expenses incurred by Shanghai Xiao Nan Guo Restaurant and its subsidiaries attributable to the provision of the Integrated Services to Shanghai Xiao Nan Guo Group.

CONNECTED TRANSACTIONS

Annual cap on future transaction amounts

The maximum aggregate annual Integrated Services fees payable by Ms. Wang or companies controlled by her to us for the years ending December 31, 2011, 2012 and 2013 shall not exceed the caps set out below:

	Proposed Annual Cap for the years ending December 31		
	2011	2012	2013
	(RMB in millions)		
Total Integrated Services fee receivable	3.0	3.0	3.0

Our Directors have considered that our Company will not extend the Integrated Services and will only maintain the same amount of Integrated Services or gradually decrease the amount of Integrated Services to Ms. Wang or companies controlled by her.

Given that (i) different sets of security codes were used by our Group and the Excluded Businesses for accessing the enterprise resource planning system; (ii) the Excluded Businesses will enter into a separate agreement with the enterprise resource planning system supplier for an independent use of their own system; and (iii) our Group has adopted certain corporate governance measures to ensure independence of its management from the Controlling Shareholder, our Directors are of the view that entering into the Framework Integrated Services Agreement will not affect our Group's management independence from the Controlling Shareholders. Please refer to the sections headed "Relationship with Controlling Shareholders — Corporate Governance Measures" and "Relationship with Controlling Shareholders — Management Independence".

Our Directors, after reviewing the Framework Integrated Service Agreement, have confirmed that the terms and conditions of the Framework Integrated Service Agreement have been entered into in the ordinary and usual course of business, on normal commercial terms, is fair and reasonable, consistent with normal business practice, and in the interest of our Shareholders as a whole.

APPLICATION FOR WAIVERS

Our Directors (including our independent non-executive Directors) are of the opinion that the transactions described in this section have been entered into, and will be carried out following completion of the Global Offering, in the ordinary and usual course of our businesses and on normal or better than normal commercial terms, as the case may be, from the perspective of our Company, and that the terms of the transactions and the Proposed Annual Caps (as defined below) are fair and reasonable and in the interests of our Shareholders as a whole.

No waivers applied for in respect of certain categories of connected transactions

For the continuing connected transactions described in the section above headed "— Exempted Continuing Connected Transactions", each of the percentage ratio (other than the profit ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, is expected on an annual basis to be less than 0.1%. Accordingly, these transactions qualify under Rule 14A.33(3) of the Listing Rules as de minimis transactions that are exempt from the reporting, announcement and independent shareholders' approval requirements.

CONNECTED TRANSACTIONS

Waivers from compliance with announcement and independent shareholders' approval requirements

The transactions described in the section above headed “— Non-exempt Continuing Connected Transactions Subject to Reporting and Announcement Requirements” (“Non-exempt Continuing Connected Transactions”), each of the percentage ratios (other than profit ratio), where applicable, calculated by reference to Rule 14.07 of the Listing Rules, is expected on an annual basis to be less than 5%. Accordingly, these transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempt from the prior independent shareholders' approval requirement set out in Rule 14A.48 of the Listing Rules.

As the Non-exempt Continuing Connected Transactions as mentioned above are expected to continue on a recurring basis after the Listing, and have been entered into prior to the Listing Date and have been fully disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of such disclosure, our Directors consider that it would not be practical, and would add unnecessary administrative costs to our Company, to make disclosure of each of such transactions in compliance with the reporting and announcement requirements in Rules 14A.45 to 14A.47 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver pursuant to Rule 14A.42(3) of the Listing Rules to exempt the Non-exempt Continuing Connected Transactions from compliance with the announcement requirement under the Listing Rules. In addition, we confirm that we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 of the Listing Rules in relation to the Non-exempt Continuing Connected Transactions.

The following table presents the applicable limit for the maximum aggregate annual amounts (“Proposed Annual Caps”) for the Non-exempt Continuing Connected Transactions in respect of Rules 14A.35(2) and 14A.36(1) of the Listing Rules.

Nature of Transaction	Proposed Annual Cap for the years ending December 31		
	2011	2012	2013
	(RMB in millions)		
Non-exempt Continuing Connected Transactions			
Property Lease Agreements	6.1	20.4	20.4
Framework Food Procurement and Processing Agreement . . .	2.0	3.4	5.7
Framework Food Material Purchase Agreement	2.4	12.1	15.9
Framework Integrated Service Agreement	3.0	3.0	3.0

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those existing as at the Latest Practicable Date on transactions of the kind to which the connected transactions referred to in this prospectus belong, including, but not limited to, requirements that these transactions be subject to reporting, announcement or independent shareholders' approval, we will take immediate steps to ensure compliance with such requirements within a reasonable time.

CONNECTED TRANSACTIONS

Confirmation from the Joint Sponsors

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us in relation to the continuing connected transactions described above and have also conducted due diligence by discussing with us and our advisers and have obtained the necessary representations and information from us. On this basis, the Joint Sponsors are of the view that (i) the Non-exempt Continuing Connected Transactions have been entered into in the ordinary and usual course of our business, on normal commercial terms and are fair and reasonable and in the interests of our Shareholders as a whole; (ii) the respective annual caps set for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interest of our Shareholders as a whole; and (iii) the duration of the Trademark Licensing Agreements is fair and reasonable and in the interest of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors currently consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding our Board of Directors.

Name	Age	Position	Date of Appointment
WANG Huimin (王慧敏)	56	Chairlady and Executive Director	February 2, 2010
WU Wen (吳雯)	42	Executive Director	August 30, 2011
KANG Jie (康捷)	36	Executive Director and Chief Executive Officer	August 30, 2011
WANG Huili (王慧莉)	54	Non-executive Director	August 30, 2011
TANG Donald Wei (唐偉) . . .	49	Non-executive Director	August 30, 2011
WENG Xiangwei (翁向煒) . . .	44	Non-executive Director	August 30, 2011
TSANG Henry Yuk Wong (曾玉煌)	57	Independent Non-executive Director	August 30, 2011
WANG Chiwei (王赤衛)	56	Independent Non-executive Director	August 30, 2011
WANG Yu (王煜)	40	Independent Non-executive Director	August 30, 2011

Save as disclosed below, there are no other matters concerning each of the Directors' appointment that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Executive Directors

Ms. WANG Huimin (王慧敏), aged 56, is the chairlady and an executive Director of our Company. Ms. Wang is our founder and primarily responsible for the overall corporate strategies and management of our Group. Ms. Wang has over 24 years of experience in the restaurant industry since commencement of business of the first Xiao Nan Guo restaurant at Chang Sha Road, Huangpu District, Shanghai in 1987 where she served as the general manager responsible for its overall operation until 1999. On January 1, 1999, Ms. Wang established our largest restaurant at Hongmei Road, Minhang District, Shanghai ("Hong Mei Restaurant"). From April 2002, she served as a supervisor at Shanghai Xiao Nan Guo Restaurant, our wholly-owned subsidiary which is primarily engaged in our restaurant business in the PRC, and was then appointed as the chairlady of that company in July 2010. She is also the director of Xiao Nan Guo Management Company Limited which has been operating our first restaurant in Hong Kong since May 2000 as well as the director of Xiao Nan Guo Holdings HK, our wholly-owned subsidiary which mainly focuses on our restaurant business and operations in Hong Kong, since March 2005. Ms. Wang also serves as the chairlady and chief executive officer of Shanghai Xiao Nan Guo Group and assumes the directorships in some of the Excluded Businesses or their shareholders, including Shanghai Xin Di, An Heng (Shanghai) Restaurant Management Co., Ltd. (安恒(上海)餐飲管理有限公司), Spa Business, Shanghai Yi Guo Tang Co., Ltd. (上海一國堂餐飲有限公司), Shanghai WH Ming Hotel Co., Ltd. (上海小南國花園酒店有限公司), Allied First (H.K.) Limited (合豐(香港)有限公司), Multi Concepts Link Restaurant Management Limited (無限創意餐飲管理有限公司), Shun Hang International Development Limited (信恒國際發展有限公司) and Nan Feng. Ms. Wang currently holds the position of a vice chairlady at Shanghai Restaurants Association (上海餐飲行業協會, previously known as Shanghai Food and Beverage Industry Association (上海飲食業行業協會)) and Shanghai Cuisine Association (上海市烹飪協會). She was also appointed as a member of the expert committee of Shanghai Restaurants Association for the two years from January 2007 to 2009, a judge for the 2005 Shanghai International Dining Expo's U28 Elite Cooking Competition (上海國際餐飲博覽會U28烹飪經營大賽評委) held by Shanghai Restaurants Association

DIRECTORS AND SENIOR MANAGEMENT

as well as an expert to the “Shanghai Famous Brands” Review Committee (Food and Beverages Services) (上海名牌(餐飲服務)評審委員會) of Shanghai Restaurants Association from December 2006 to 2008. Ms. Wang was awarded as “The Most Powerful Female Entrepreneur of the PRC Restaurant Industry for the Year of 2006” (2006年度中國最具影響力餐飲女企業家) by “East. Eat” in February 2007, “Leading Entrepreneur of the National Restaurant Industry” (全國飯店業優秀企業家) by China Hotel Association (中國飯店協會) and China Federation of Finance, Trading, Textile and Tobacco (中國財貿輕紡烟草工會) in March 2006, and “Leading Entrepreneur of the PRC Restaurant Industry” (全國餐飲業優秀企業家) by China Cuisine Association (中國烹飪協會) in November 2002.

As of the Latest Practicable Date, Ms. Wang did not hold any directorship in any Hong Kong or overseas listed companies.

Ms. WU Wen (吳雯), aged 42, is an executive Director of our Company and is primarily responsible for construction and decoration work of all our restaurants and other work required by the Board. Ms. Wu started her career with Xiao Nan Guo restaurants since her joining of the first restaurant under the brand “Xiao Nan Guo” at Changsha Road, Huangpu District, Shanghai in 1993 where she was responsible for customer services related matters until 2008. During the over 18 years with Xiao Nan Guo restaurants, Ms. Wu served various positions at our wholly-owned subsidiaries which primarily focus on our restaurant business in Shanghai, including executive directors of Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. (上海浦東小南國餐飲有限公司) since 1997 and Shanghai Jing’an Xiao Nan Guo Co., Ltd. (上海靜安小南國餐飲有限公司) from 2004 to 2008, respectively.

As of the Latest Practicable Date, Ms. Wu did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. KANG Jie (康捷), aged 36, is an executive Director and the chief executive officer of our Company. He joined our Group in 2008 as the chief executive officer of Shanghai Xiao Nan Guo Restaurant as well as Xiao Nan Guo Holdings HK, our wholly-owned subsidiaries which operate the Group’s restaurant business in the PRC and Hong Kong, respectively, Mr. Kang is primarily responsible for overseeing the overall daily operations of the Group’s business. Prior to joining our Group, Mr. Kang worked at Bear Stearns & Co. Inc. from 2004 to 2008, during which period he served various positions including associate, vice president and managing director in the investment banking division responsible for the investment banking activities in the firm’s Shanghai and Beijing offices. He was also appointed as the chief representative of the Shanghai representative office of Bear Stearns & Co. Inc. in 2005. From 1998 to 2000, Mr. Kang served as an auditor at the Shanghai Office of Arthur Anderson LLP and obtained the certificate of registered investment representative of BNP Paribas Peregrine Capital Limited in April 2001. He is also a part-time professor at Feng Yi International Cuisine Research Center of Yangzhou University since September 2010 and a member of Shanghai Municipal 10th National Congress of the All-China Youth Federation (第十屆上海市青年聯合會) since January 2011. Mr. Kang received his bachelor’s degree in international finance from Shanghai University of Finance and Economics in 1998.

As of the Latest Practicable Date, Mr. Kang did not hold any directorship in any Hong Kong or overseas listed companies.

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Non-executive Directors

Ms. WANG Huili (王慧莉), aged 54, is a non-executive Director of our Company. Ms. Wang Huili is a co-founder of our Group and has worked for Xiao Nan Guo restaurants for over 24 years since commencement of business of the first restaurant under the brand “Xiao Nan Guo” at Changsha Road, Huangpu District, Shanghai in 1987 where she served as the manager in charge of its daily management until 2008. Ms. Wang Huili was an executive director of Shanghai Xiao Nan Guo Restaurant from January 2002 to July 2010 and was appointed as the supervisor of that company in July 2010. She also currently holds the directorship of WHM Japan Co., Ltd. and Shanghai Wen Hui Huju Opera Troupe (上海文慧滬劇團). Ms. Wang Huili is Ms. Wang’s sister.

As of the Latest Practicable Date, Ms. Wang Huili did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. TANG Donald Wei (唐偉), aged 49, is a non-executive Director of our Company. Mr. Tang has been serving as the chief executive officer and president of CITIC Securities International Partners, Ltd. since February 2009. Prior to that, Mr. Tang served various positions at Bear, Stearns & Co. Inc. and its affiliated entities, including vice chairman and member of the board of directors of Bear, Stearns & Co. Inc. as well as chairman and director of Bear Stearns Asia. In addition, Mr. Tang has been a member of the RAND Center for Asia Pacific Policy Advisory Board since 2006, as well as a member of the board of directors of the California Institute of Technology since 2005. In 2010, Mr. Tang was appointed as a member of the Harvard Asia Center Advisory Committee. Mr. Tang received his bachelor’s degree in chemical engineering from California State Polytechnic University in 1986.

As of the Latest Practicable Date, Mr. Tang did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. WENG Xiangwei (翁向煒), aged 44, is a non-executive Director of our Company. Mr. Weng is the founder of Shining Capital Management Hong Kong Limited and has extensive experience in investment banking and private equity investment. Prior to that, Mr. Weng was an executive director at the corporate finance department and “Head of Mergers and Acquisitions, China” of Goldman Sachs (Asia) L.L.C. From January 2005 to January 2007, Mr. Weng served as the general manager in charge of corporate operations at Gome Electrical Appliances Holding Limited (stock code: 0493), a company listed on the Stock Exchange. Mr. Weng also worked at Morgan Stanley group of companies from June 1998 to January 2005. Mr. Weng received his bachelor’s degree in physics from Peking University in 1989 and his Ph.D. degree in biophysics from University of California at Berkeley in 1996.

As of the Latest Practicable Date, Mr. Weng did not hold any directorship in any Hong Kong or overseas listed companies.

Independent Non-executive Directors

Mr. TSANG Henry Yuk Wong (曾玉煌), aged 57, is an independent non-executive Director of our Company. Mr. Tsang is a co-founder of Jigs Limited, a furniture design and manufacturing company, and has been serving as the managing director of that company since December 2007. He is also currently holding the position of non-executive director at Horizon Asia Fund Ltd., an Asia focused investment fund and its investment adviser, Horizon Capital Management and Research Ltd. Mr. Tsang has accumulated extensive experience in the investment banking area, through his working experience at Bear Stearns & Co. Inc. (including president of Bear Stearns Asia Limited), BOC

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International and Merrill Lynch. During his years as an investment banker, by performing functions such as reviewing management accounts, analyzing audited financial statements and preparing profit forecast and financial modeling, Mr. Tsang actively participated in various initial public offerings, bond offerings as well as mergers and acquisition transactions, including several sizeable initial public offerings on the Stock Exchange. He was also a partner of Search Asian Mezzanine Capital, a private equity firm sponsored by Search Investment Group. Mr. Tsang is a member of Hong Kong Broadcasting Authority and previously served as a director of Hong Kong Applied Science and Technology Research Institute Company Limited. Mr. Tsang received his bachelor's degree in chemical engineering (*magna cum laude*) from University of Houston in 1978 and his MBA degree from Rice University in 1980. As of the Latest Practicable Date, Mr. Tsang did not hold any directorship in any Hong Kong or overseas listed companies.

Given Mr. Tsang's extensive experience in the investment banking area and his academic background, our Directors believe that he has appropriate accounting and related financial management expertise and is competent to discharge his duties as an independent non-executive Director and chairman of the Audit Committee of the Company.

Mr. WANG Chiwei (王赤衛), aged 56, is an independent non-executive Director of our Company. Mr. Wang is also currently holding the position as a deputy general manager at Jiangxi Copper Company Limited (stock code: 0358), a company listed on the Stock Exchange, and has served various positions with that company, including executive director and deputy general manager from 1998 to 2009, deputy director of the sales and transportation department, deputy chief economist as well as director of the planning department of the Guixi Smelter from 1980 to 1992. Mr. Wang is also a membership director of Shanghai Futures Exchange (上海期貨交易所), a chairman of Shanghai Gold Exchange Committee (上海黃金交易所委員會), a vice chairman of China Gold Association (中國黃金協會), a vice president of China Sulphuric Acid Industry Association (中國硫酸協會) as well as a vice chairman of China Chemical Mining Association (中國化學礦業協會). Mr. Wang obtained a certificate of senior economist in June 2002.

As of the Latest Practicable Date, Mr. Wang did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. WANG Yu (王煜), aged 40, is an independent non-executive Director of our Company. Mr. Wang joined Grace Semiconductor Co., Ltd. (上海宏力半導體有限公司) as an executive vice president in March 2010 and is currently holding the position of president at that company. Prior to that, Mr. Wang held various positions at Shanghai Huahong NEC Electronic Co., Ltd. (上海華虹NEC電子有限公司), including financial director, head of financial department, vice president and chief financial officer, during the period from March 1998 to March 2010. Mr. Wang was appointed as a member of Shanghai Municipal Pudong New Area 1st China People's National Political Consultative Conference (上海市浦東新區第一屆政協委員) and Shanghai Municipal 10th National Congress of the All-China Youth Federation in 2000 and 2008, respectively. Mr. Wang received his bachelor's degree in foreign trade and his postgraduate degree in international finance from Shanghai University of Finance and Economics in 1994 and 1997, respectively.

As of the Latest Practicable Date, Mr. Wang did not hold any directorship in any Hong Kong or overseas listed companies.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table presents certain information concerning the senior management personnel of our Group:

Name	Age	Position
KANG Jie (康捷)	36	Executive Director and Chief Executive Officer
SHAO Shan (邵珊)	42	Vice President (operation & human resources management)
ZHANG Jun (張俊)	35	Vice President (finance)
PAN Qin (潘勤)	55	Vice President (production) and Chief Chef
ZHOU Bin (周斌)	36	Vice President (marketing)
SUN Yong (孫勇)	39	Vice President (development and construction)
LENG Yijia (冷怡佳)	36	Vice President, Secretary of the Board, General Counsel and Joint Company Secretary
DU Yu (杜煜)	41	Senior Director (supply chain)
GUAN Zhenyu (關振宇)	37	Senior Director (product development & strategic analysis)

Mr. KANG Jie (康捷), aged 36, is an executive Director and the chief executive officer of our Company. His biographical details are set out above under the section headed “— Executive Directors”.

Ms. SHAO Shan (邵珊), aged 42, is a vice president of our Company and is responsible for our Group’s operation and human resources related matters. Ms. Shao has 17 years of experience in operation and training. Prior to joining us in June 2009, Ms. Shao served as the national training director of McDonald’s (China) Co., Ltd. (麥當勞(中國)有限公司) from April 2006 to May 2009 and the senior franchise manager from April 2004 to April 2006. Before that, she was the senior manager for the operation department of Guangdong Sanyuan McDonald’s Food Co., Ltd. (廣東三元麥當勞有限公司) from April 2002 to March 2004 and a professor and training manager at McDonald’s Hong Kong Hamburger University from December 1999 to March 2002. From October 1992 to December 1999, she held various positions including franchise manager and operation manager of Guangdong Sanyuan McDonald’s Food Co., Ltd. Ms. Shao graduated from Guangzhou University in the major of hotel management in 1992 and completed an applied psychology master program at East China Normal University in July 2010.

As of the Latest Practicable Date, Ms. Shao did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. ZHANG Jun (張俊), aged 35, is a vice president of our Company. With over 13 years of experience in accounting and finance, Mr. Zhang is mainly responsible for our Group’s finance and information technology as well as internal control related matters. Mr. Zhang joined our Group in 2007 and has served as the chief financial officer of Shanghai Xiao Nan Guo Restaurant since 2009. Prior to joining us, he was the chief accounting officer of Home Inns & Hotels Management Inc., a company listed on NASDAQ from October 2006 to August 2007. He also worked as the financial manager at Shanghai Shen-Mei Beverage & Food Co., Ltd. (上海申美飲料食品有限公司), a subsidiary of The Coca-Cola Company, a company listed on the New York Stock Exchange, from August 2005 to October 2006. From July 2002 to July 2005, Mr. Zhang was a senior auditor and manager of

DIRECTORS AND SENIOR MANAGEMENT

PricewaterhouseCoopers Zhong Tian CPAs Limited Company. Before that, he worked as an auditor at the Shanghai office of Arthur Andersen LLP. Mr. Zhang obtained his dual-bachelor's degrees in accounting and applied mathematics, respectively, in July 1998 from Shanghai Jiao Tong University. He obtained the qualification of certified public accountant from The Chinese Institute of Certified Public Accountants in 2001 and the certificate of medium-level accountant in the same year.

As of the Latest Practicable Date, Mr. Zhang did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. PAN Qin (潘勤), aged 55, is our vice president and chief chef and is primarily responsible for our Group's production and the overall kitchen management. He has been with Xiao Nan Guo restaurants for over 24 years since his joining of the first restaurant under the brand "Xiao Nan Guo" at Changsha Road, Huangpu District, Shanghai in 1987. He was made a vice president of our Group in 2009. Mr. Pan is a member of the Master Chef Club of Shanghai Cuisine Association (上海市烹飪協會總廚俱樂部). He was awarded the prizes of China Golden Chef (中華金廚獎) in 2008 by China Cuisine Association (中國烹飪協會), China Well-renowned Chef (中國烹飪名廚) in 2002 by China Central Chamber of Commerce (中國商業聯合會) and China Cuisine Association and the Best Design Award of the Fourth World Competition of Chinese Cuisine (中國烹飪世界大賽) in 2002 by The Organizing Committee of the Fourth World Championship of Chinese Cuisine (第四屆中國烹飪世界大賽組織委員會), respectively. Mr. Pan was also appraised by the Chief Chef Club of Shanghai Restaurants Association (上海餐飲行業協會總廚俱樂部) for his active participation in industry events in 2006 and obtained the championship for Shanghai Elite Youth Cooking Selection Event (上海市中青年烹飪協會) held by Shanghai Cuisine Association (上海烹飪協會), Shanghai Commercial Commission (上海市商業委員會), Shanghai Food and Beverage Industry Association (上海飲食業行業協會), Shanghai Tourism Administrative Commission (上海旅遊事業管理委員會) and Shanghai Tourism Association Hotel Industry Branch (上海市旅遊協會飯店業分會) in 2003.

As of the Latest Practicable Date, Mr. Pan did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. ZHOU Bin (周斌), aged 36, is our vice president who is taking charge of banquet sales and marketing related matters. Mr. Zhou joined our Group in November 2008. Prior to joining us, he served as a deputy director from February 2006 to October 2008 and a consultant from April 2000 to April 2005 at Shanghai Ogilvy Commercial Consulting Co., Ltd. (上海奧美商務諮詢有限公司). From July 1998 to March 2000, he worked at Dun & Bradstreet (Shanghai) Consulting Co., Ltd. (鄧白氏(上海)諮詢有限公司). Mr. Zhou received his bachelor's degree in international enterprise management from Shanghai University of Finance and Economics in 1998.

As of the Latest Practicable Date, Mr. Zhou did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. SUN Yong (孫勇), aged 39, is our vice president primarily responsible for development and construction related matters. Mr. Sun joined our Group in August 2011. Prior to that, he was a vice president at Shanghai Kungfu Fast Food Management Co., Ltd. (上海真功夫快餐管理有限公司) taking charge of construction and development from January 2008 to August 2011. From March 2001 to January 2008, Mr. Sun served various positions at Yum! Brands Inc. China Division, including development manager and development senior manager. Mr. Sun received his bachelor's degree in economics from Shanghai International Studies University in June 1995 and a diploma in management from China Europe International Business School in December 2005.

DIRECTORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, Mr. Sun did not hold any directorship in any Hong Kong or overseas listed companies.

Ms. LENG Yijia (冷怡佳), aged 36, is a vice president, secretary of the Board, general counsel and a joint company secretary of our Company. She joined our Group in July 2010. Ms. Leng has over 12 years of experience in legal and management areas. Prior to joining us, she served as a legal manager, senior legal manger and legal director of Carrefour (China) Managing & Consulting Services Co., Ltd. (家樂福(中國)管理諮詢服務有限公司), from October 2003 to June 2010, and worked as a legal consultant at Coudert Brothers LLP from August 2000 to September 2003. From September 1998 to August 1999, she was an associate at the Shanghai office of Kang Da Law Firm (康達律師事務所). Ms. Leng received her L.L.B degree from East China University of Political Science and Law in 1998, her L.L.M degree from Temple University in 2001 and her MBA degree from the program jointly sponsored by Tong Ji University and École Nationale des Ponts et Chaussées (ENPC) in 2006. Ms. Leng holds the PRC lawyer qualification certificate.

As of the Latest Practicable Date, Ms. Leng did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. DU Yu (杜煜), aged 41, is a senior director of our Company. Mr. Du joined our Group in April 2011 and is primarily responsible for our supply chain related matters including procurement, logistics, storage and quality control. Mr. Du has over 13 years' experience in the food and beverage industry. From 2008 to 2011, Mr. Du served as the purchasing director and general manager of eastern China logistic center & purchasing system at Shanghai Kungfu Fast Food Management Co., Ltd. (上海真功夫快餐管理有限公司). Prior to that, he worked at Yum! Consulting (Shanghai) Co., Ltd. (百勝諮詢(上海)有限公司) as a purchasing manager from 1997 to 2008. Mr. Du graduated from Shanghai Industry University in the major of material engineering in 1993 and received an MBA degree from Donghua University in 2006. He also attended executive education courses at China Europe International Business School from 2008 to 2010.

As of the Latest Practicable Date, Mr. Du did not hold any directorship in any Hong Kong or overseas listed companies.

Mr. GUAN Zhenyu (關振宇), aged 37, joined our Group in 2009 and is our senior director taking charge of products development and strategic analysis related matters. He is primarily responsible for research, planning and development of our products as well as management of our restaurants' menus. Prior to joining our Group, from 2000 to 2003, Mr. Guan was a key client manager responsible for marketing and sales in Shanxi, Tianjin and Liaoning at Shanghai Siemens Mobile Co., Ltd. (上海西門子移動通信有限公司), and from 2004 to 2008, a senior manager responsible for marketing and sales for Shanghai Municipality and Zhejiang Province at Siemens Ltd. China (西門子中國有限公司). Mr. Guan was granted "Award of Outstanding Contribution" by Siemens Ltd. China in 2005. He was also an auditor at the Shanghai office of Arthur Andersen LLP. Mr. Guan received his bachelor's degree in economics from University of International Business and Economics in 1998.

As of the Latest Practicable Date, Mr. Guan did not hold any directorship in any Hong Kong or overseas listed companies.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. LENG Yijia, serves as our vice president, secretary to the Board, general counsel and one of the joint companies secretaries. Her biography details are set out above in the section headed “— Senior Management”.

Ms. MOK Ming Wai (莫明慧), aged 40, was appointed as the joint company secretary of the Company on August 30, 2011. Ms. MOK is an associate director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She has over 15 years of professional and in-house experience in company secretarial field. Prior to joining KCS Hong Kong Limited, she worked in the Corporate Services Division of KPMG Hong Kong and acted as the company secretary for two companies listed on the Main Board of the Stock Exchange. She is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. Ms. Mok currently serves as a joint company secretary of Shanghai Pharmaceuticals Holding Co., Ltd. (Stock code: 2607) and Huaneng Renewables Corporation Limited (Stock code: 0958).

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee on August 30, 2011 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our internal control and financial reporting process and to maintain an appropriate relationship with our independent auditors, which include, among other things:

- advising the Board in respect of the appointment, re-appointment and removal of independent auditors, reviewing and approving the compensation of independent auditors, supervising the work of independent auditors and formulating policies in terms of all non-audit services to be provided by independent auditors;
- reviewing our annual and interim financial statements, our financial control, internal control and risk management system and our financial and accounting policies and supervising the implementation of such policies; and
- reviewing the procedures for the treatment of complaints received by us regarding our financial reporting process, internal control and other violation of laws and regulations.

The Audit Committee comprises Mr. Tsang Henry Yuk Wong, Mr. Weng Xiangwei and Mr. Wang Yu. Mr. Tsang Henry Yuk Wong has been appointed as the chairman of the Audit Committee.

Remuneration Committee

The Company has established a remuneration committee on August 30, 2011 with written terms of reference as suggested under the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee include determining the policies in relation to human resources management, reviewing the Company’s remuneration policies and determining remuneration packages for Directors and senior management members of the Company.

The remuneration committee comprises Mr. Wang Yu, Ms. Wang and Mr. Wang Chiwei. Mr. Wang Yu has been appointed as the chairman of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

The Company has set up a nomination committee on August 30, 2011, the primary duties of which are to make recommendations to the Board regarding candidates to fill vacancies on the Board. The nomination committee comprises Mr. Wang Chiwei, Mr. Tang Donald Wei and Mr. Tsang Henry Yuk Wong and is chaired by Mr. Wang Chiwei.

Executive Committee

The Company has also established an executive committee on August 30, 2011. The primary functions of the executive committee is approving certain transactions and undertaking certain day-to-day operations of the Group as delegated by the Board.

The executive committee comprises Ms. Wang, Ms. Wu Wen and Mr. Kang Jie. Ms. Wang has been appointed as the chairman of the executive committee.

Advisory Committee

The Company has further established an advisory committee on August 30, 2011, comprising five members, namely Mr. Chu Yuen Wo, Mr. Chan Raymond, Mr. Yeung Kai Cheung, Ms. Ping Guoqin and Mr. Zhu Fenglin, who have extensive experience in the food, beverage, consumables and chain industries as well as management and operation, nominated and appointed by the Board to advise the Board on market trends and to make recommendations to the Board on the Company's business strategies and plans from time to time. Mr. Chu Yuen Wo was appointed as the chairman of the advisory committee. None of the advisory committee members is a director or employee of our Company or any of our subsidiaries. We currently expect to pay each member of the advisory committee a remuneration of HK\$100,000 per annum.

- Mr. CHU Yuen Wo (朱源和) is a famous industry expert who has extensive experience in market trends, business strategies and plans in the restaurants industry. During his over 30 years with McDonald's Restaurants (Hong Kong) Ltd., he helped that company open its first McDonald's restaurant in China and made great contribution to its operations and successful expansion in China. He was also in charge of matters relating to franchising and government relations in McDonald's program for 2008 Beijing Olympic Game.
- Mr. CHAN Raymond (陳梓初) has over 29 years' experience in the food and restaurant industry. He is a co-founder of and currently holding the position of chief executive officer at Multi Concepts Link Restaurant Management Ltd., a restaurant chain which primarily engages in the operation of "Honeymoon Dessert" outlets in the PRC and Singapore. From 1982 to 2002, Mr. Chan served various positions, including director and senior vice president taking charge of operations, at Panda Restaurant Group Inc.
- Mr. YEUNG Kai Chueng (楊繼昌), who served as the chief operation officer of Shanghai Xiao Nan Guo Restaurant from June 2009 to June 2010. Mr. Yeung has accumulated enduring experience in the food and beverage area, through his work at famous and reputable companies in this industry, including his positions as the chief executive officer at Shangri-la Group Shang Palace Management Limited, the food & beverage consultant to the Hong Kong Disney Land and the food & beverage director for the Great China Area of IHG Intercontinental Hotel Group.

DIRECTORS AND SENIOR MANAGEMENT

- Ms. PING Guoqin (平國琴) held the position of vice president at Shanghai Xiao Nan Guo Group from 2003 to 2008, primarily responsible for financial management. She previously worked in the PRC government for over 15 years.
- Mr. ZHU Fenglin (朱鳳麟) has 20 years of experience in operation and management consultation. He is currently the general manager of F&T Consultant Co., Ltd. (大地企業管理顧問有限公司) and also served as a vice president and consultant at World Class Management Services, Inc. and an operation director of ChinaMgt Technology Co., Ltd. (管網科技股份有限公司).

Our Directors believe that establishment of the advisory committee provides our Company with opportunities to draw upon the valuable experience and expertise of the relevant industry experts, which in turn is highly commercially beneficial to our Company's business operations and planning.

The Board is entitled to convene meetings of the advisory committee to discuss any significant transactions or matters proposed to be undertaken by our Group. Such notice to call for a meeting of the advisory committee to discuss over a proposed significant transaction or matter of our Group shall only be valid if the prior consent of at least two of our independent non-executive Directors for calling such meeting has been obtained. Once a meeting of the advisory committee is convened, all members of the advisory committee and the Board are entitled to attend.

WAIVERS GRANTED BY THE STOCK EXCHANGE

Waiver from Rule 8.12 of the Listing Rules

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of management presence in Hong Kong under Rule 8.12 of the Listing Rules. For details of the waiver, see the section headed "Waivers from Strict Compliance with the Listing Rules and the Companies Ordinance — Management Presence in Hong Kong".

Waiver from Rule 8.17 of the Listing Rules

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements on the qualifications of company secretary under Rule 8.17 of the Listing Rules. For details of the waiver, see the section headed "Waivers from Strict Compliance with the Listing Rules and the Companies Ordinance — Appointment of Joint Company Secretaries".

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, benefits in kind, performance-related bonuses, equity-settled share option expense and pension scheme contributions. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

For each of the three years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011, the aggregate amount of salaries and other allowances and benefits in kind paid by us to our Directors was RMB3.0 million, nil, RMB1.0 million and RMB1.1 million, respectively. The aggregate amount of remuneration (including fees, salaries, allowances, benefits in kind,

DIRECTORS AND SENIOR MANAGEMENT

performance-related bonuses, equity-settled share option expense and pension scheme contributions) which were paid or payable by the Company to our five highest paid individuals for each of the years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011 was RMB6.1 million, RMB4.1 million, RMB4.4 million and RMB3.0 million, respectively.

Other than disclosed in the section headed “History and Development — Our Corporate History — Third Restructuring”, no remuneration was paid by the Company to the Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in respect of the years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011. Further, none of our Directors had waived any remuneration during the same period.

Under the arrangements currently in force, we estimate the aggregate remunerations and benefits in kind, excluding discretionary bonuses, payable to our Directors for the year ending December 31, 2011 to be approximately RMB1.8 million.

Each of our executive Directors has entered into a service contract with the Company dated August 30, 2011 and the Company has also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors. Further details of the terms of the above service contracts and letters of appointment are set out in the section headed “Statutory and General Information — Further Information about Directors, Management and Staff” in Appendix VI to this prospectus.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser (the “Compliance Adviser”) upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules.

The Company has entered into a compliance advisers’ agreement with the Compliance Adviser, the material terms of which are as follows:

- (i) the Company appoints Haitong International Capital Limited, as the compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results of the Company for the full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier;
- (ii) the Compliance Adviser will provide us with certain services, including providing us with proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and provide advice to the Company on the continuing requirements under the Listing Rules and applicable laws and regulations;
- (iii) the Compliance Adviser will, as soon as reasonably practicable inform us of any amendment or supplement to the Listing Rules announced by the Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines;
- (iv) the Compliance Adviser will act as the principal channel of communication of the Company with the Stock Exchange;

DIRECTORS AND SENIOR MANAGEMENT

- (v) the Company will agree to indemnify the Compliance Adviser for certain actions the losses incurred by the Compliance Adviser arising out of or in connection with the performance by the Compliance Adviser of their duties under the agreement, provided that the indemnity will not apply to an action or loss which is caused by the willful default, or negligence of the agreement on the part of the Compliance Adviser;
- (vi) the Company may terminate the appointment of the Compliance Adviser if the Compliance Adviser materially breaches the terms of the compliance advisers' agreement; and
- (vii) the Compliance Adviser will have the right to terminate their appointment if the Company commits a breach of the compliance advisers' agreement.

PRE-IPO SHARE OPTION SCHEMES

In order to assist us in attracting, retaining and motivating our key employees and senior management, we adopted the Pre-IPO Share Option Schemes on February 10, 2010 and March 15, 2011, respectively, details of which are set out in Appendix VI headed "Statutory and General Information — Share Option Schemes — Summary of Terms of the Pre-IPO Share Option Schemes" to this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Statutory and General Information — Share Option Schemes" in Appendix VI to this prospectus.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering.

	(Par value)
	HK\$
Authorized share capital:	
10,000,000,000 Shares	100,000,000
Issued share capital:	
1,000,000 Shares in issue as of the date of this prospectus	10,000
Shares to be issued:	
999,000,000 Shares to be issued pursuant to the Capitalization Issue	9,990,000
335,000,000 Shares to be issued pursuant to the Global Offering	3,350,000
50,250,000 Shares to be issued on full exercise of the Over-allotment Option	502,500
Total issued share capital on completion of the Global Offering (prior to the exercise of the Over-allotment Option)	
1,335,000,000 Shares	13,350,000
Total issued share capital on completion of the Global Offering (upon the full exercise of the Over-allotment Option)	
1,385,250,000 Shares	13,852,500

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional but does not take into account the exercise of any options to be granted under our Pre-IPO Share Option Schemes or Share Option Scheme; or any Shares which may be issued or repurchased pursuant to the general mandate given to our Directors for the issue and allotment of Shares referred to in Appendix VI to this prospectus or the repurchase mandate referred to in Appendix VI to this prospectus, as the case may be.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE CAPITAL

PRE-IPO SHARE OPTION SCHEMES

Our Company has adopted the Pre-IPO Share Option Schemes on February 10, 2010 and March 15, 2011, respectively, and the Pre-IPO Share Option Scheme adopted on March 15, 2011 was amended on August 10, 2011, the principal terms of which are set out in the section headed “Share Option Schemes — Summary of Terms of the Pre-IPO Share Option Schemes” in Appendix VI to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the section headed “Share Option Schemes — Summary of Terms of the Share Option Scheme” in Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering”, our Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with our Articles of Association, or pursuant to the exercise of any options which have been granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of our Company immediately following completion of the Global Offering and the Capitalization Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to any options which have been granted under the Pre-IPO Share Option Schemes or may be granted under the Share Option Scheme).

This general mandate to issue Shares will remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by our Articles of Association or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest;

Particulars of this general mandate to allot, issue and deal with Shares are set forth in the section headed “Written resolutions of the shareholders of our Company passed on August 30, 2011” in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering”, our Directors have been granted a general unconditional mandate to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following completion of the Capitalization Issue

SHARE CAPITAL

and the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to any options which have been granted under the Pre-IPO Share Option Schemes or may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by our Articles of Association or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate which is the earliest.

Particulars of this general mandate to repurchase Shares are set forth in the section headed “Further Information about Our Company — Written resolutions of the shareholders of our Company passed on August 30, 2011” in Appendix VI to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and the options which have been granted under the Pre-IPO Share Option Schemes or which may be granted under the Share Option Scheme are not exercised), without taking into account the Offer Shares that may be taken up under the Global Offering, the following persons will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
The Wang Trust ⁽¹⁾	Interest in controlled corporation ⁽¹⁾	509,851,000(L)	38.19%
Trustee ⁽¹⁾	Trustee ⁽¹⁾	509,851,000(L)	38.19%
Value Boost ⁽¹⁾	Beneficial owner	509,851,000(L)	38.19%
Ms. Wang ^{(1), (2), (3), (4) & (5)}	Interest in controlled corporation ⁽¹⁾	509,851,000(L)	38.19%
	Trustee ^{(2), (3), (4) & (5)}	299,375,000(L)	22.43%
Expert City ⁽²⁾	Beneficial owner	110,347,500(L)	8.27%
Fast Glow ⁽³⁾	Beneficial owner	5,000,000(L)	0.37%
Full Health ⁽⁴⁾	Beneficial owner	87,013,750(L)	6.52%
Well Reach ⁽⁵⁾	Beneficial owner	97,013,750(L)	7.27%
Sunshine Property	Beneficial owner	85,387,000(L)	6.40%
Moon Glory	Beneficial owner	85,387,000(L)	6.40%

Notes:

The letter “L” denotes long position in the Shares.

- (1) The entire issued share capital of Value Boost is held by the Trustee as the trustee of The Wang Trust. The Wang Trust is a trust established by Ms. Wang as settlor and the Trustee as trustee on August 27, 2011. The beneficiaries of The Wang Trust are Ms. Wang and in the event of her decease her personal representatives. Ms. Wang is deemed to be interested in 509,851,000 Shares held by Value Boost which is wholly-owned by the Trustee immediately upon completion of the Global Offering pursuant to Part XV of the SFO.
- (2) Ms. Wang holds on trust for Ever Project the entire issued share capital of Expert City, which owns approximately 8.27% equity interest in our Company. For details, please refer to sections headed “History and Development — Our Structure upon Completion of the Global Offering” and “Relationship with Controlling Shareholders — Controlling Shareholders” in this prospectus.
- (3) Ms. Wang holds on trust for Victor Merit the entire issued share capital of Fast Glow, which owns approximately 0.37% equity interest in our Company. For details, please refer to sections headed “History and Development — Our Structure upon Completion of the Global Offering” and “Relationship with Controlling Shareholders — Controlling Shareholders” in this prospectus.
- (4) Ms. Wang holds on trust for Wealth Boom the entire issued share capital of Full Health, which owns approximately 6.52% equity interest in our Company. For details, please refer to sections headed “History and Development — Our Structure upon Completion of the Global Offering” and “Relationship with Controlling Shareholders — Controlling Shareholders” in this prospectus.
- (5) Ms. Wang holds on trust for Brilliant South the entire issued share capital of Well Reach, which owns approximately 7.27% equity interest in our Company. For details, please refer to sections headed “History and Development — Our Structure upon Completion of the Global Offering” and “Relationship with Controlling Shareholders — Controlling Shareholders” in this prospectus.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and the options which have been granted under the Pre-IPO Share Option Schemes or which may be granted under the Share Option Scheme are not exercised), without taking into account the Offer Shares that may be taken up under the Global Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited consolidated financial statements, including notes thereto, as set forth in the “Accountants’ Report” in Appendix I to this prospectus, which have been prepared in accordance with IFRS. The following discussion contains forward-looking statements concerning events that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

OVERVIEW

We are one of the largest Chinese full-service restaurant chains for the mid- to high-end market segment in China, based on number of restaurants as of December 31, 2010 as well as sales value in 2010, according to Euromonitor International, an independent market research firm⁽¹⁾. We own and operate restaurants under a portfolio of Chinese cuisine brands spanning diverse market segments: “Shanghai Xiao Nan Guo (上海小南國)” — our core brand and a premier mid- to high-end restaurant chain with 47 restaurants as of the Latest Practicable Date; “Maison De L’Hui (慧公館)” — a recently-developed high-end brand focused on business clientele with four restaurants as of the same date; and “the dining room (南小館)” — a pilot casual dining brand to be launched by the end of 2011 in Hong Kong. In recognition of its reputation and market awareness, the Xiao Nan Guo brand, with a history since 1987, has been designated as a “Well-known Trademark” by the SAIC, and is, we believe, one of the strongest Chinese cuisine brands in China.

We have expanded our restaurant base in new and existing markets based on a distinctive hub-and-spoke strategy. Under this strategy, within any new regional market, we seek to initially establish a cluster of restaurant locations in key economic centers in the region, or “hubs”, allowing us to derive greater economies of scale and ensure consistent quality of food through centralized food preparation, procurement and logistics functions at our central kitchens and central warehouses. We leverage these centralized functions to support our expansion into neighboring cities, or the “spokes”, which, as they gain critical mass, eventually become new “hubs”. As of the Latest Practicable Date, we operated five central kitchens and five central warehouses, servicing our restaurant network of 47 Shanghai Xiao Nan Guo restaurants and 4 Maison De L’Hui restaurants, which covered some of the most affluent and fastest-growing cities in Greater China, including Shanghai, Beijing, Dalian, Suzhou, Nanjing, Tianjin, Ningbo and Hong Kong.

Our hub-and-spoke strategy provides us with a distinctive platform for disciplined growth by enabling us to open new restaurants systematically and efficiently while maintaining quality consistency. We opened 7, 6 and 11 (including 3 Maison De L’Hui restaurants and 2 temporary Shanghai Xiao Nan Guo restaurants operated during the World Expo) new restaurants in 2008, 2009 and 2010, respectively. We currently expect to open approximately 22 new restaurants in 2011, which include 14 Shanghai Xiao Nan Guo restaurants and 1 Maison De L’Hui restaurant already opened by the Latest Practicable Date. We intend to open approximately 26 and 33 new restaurants in 2012 and 2013, respectively, by increasing penetration of existing markets and expanding into new markets including cities in the eastern, northern and southern regions of Greater China.

(1) According to Euromonitor International, full-service restaurants are traditional sit-down restaurants with full table service provided by waiters, where the focus of the guest experience is on food rather than drink; a Chinese full-service restaurant chain shall operate a minimum of ten branded outlets; and mid- to high-end market segment in China refers to the restaurants where the average guest check is in the range of RMB150 to RMB300 or above, and the dishes offered are generally made of premium food materials or ingredients. For more details, please see the section headed “Industry Overview”.

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A critical aspect of our hub-and-spoke strategy is the emphasis on standardizing operations under modern corporate management principles. Our standard operating procedures cover all of our major restaurant operation and corporate management functions. We believe that the continuing implementation of this hub-and-spoke strategy and standardization of our operations will be critical in facilitating our efforts in significantly expanding our restaurant network over the next number of years.

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. We believe that our multi-brand strategy will allow us to capture more market segments, take advantage of a wider range of market opportunities and ultimately increase our overall market share in China's fast-growing food and beverage industry. Our existing brands, Shanghai Xiao Nan Guo and Maison De L'Hui, are key in helping us to differentiate our cuisines and services from our competitors, and provide us with an enduring platform to develop complementary brands with potentially different pricing points. We will actively pursue opportunities to nurture a diversified brand portfolio, which will help us to reduce our exposure to risks in a specific market segment and derive efficiency and synergy across our standardized operation.

Our revenue increased by 11.1% from RMB592.9 million in 2008 to RMB659.0 million in 2009, by 32.4% from RMB659.0 million in 2009 to RMB872.5 million in 2010, and by 23.7% from RMB334.2 million in the five months ended May 31, 2010 to RMB413.5 million in the five months ended May 31, 2011. Our gross margin increased from 62.3% in 2008 to 64.5% in 2009, 65.9% in 2010 and 66.2% in the five months ended May 31, 2011. Our net profit decreased by 13.4% from RMB82.8 million in 2008 to RMB71.7 million in 2009, increased by 34.6% from RMB71.7 million in 2009 to RMB96.5 million in 2010, and increased by 10.7% from RMB28.9 million in the five months ended May 31, 2010 to RMB32.0 million in the five months ended May 31, 2011. Our net profit in 2009 was affected by costs relating to increased hiring of senior management talent as we increased focus on investment in human capital, as well as by the impact of the recent global financial crisis.

BASIS OF PRESENTATION

Our Company was incorporated on February 2, 2010, and became the holding company of the subsidiaries that currently comprise the Group in August 2010 (the "Reorganization"). Other than Xiao Nan Guo Nutritional, which was acquired from independent third parties, Ms. Wang owned and controlled the companies now comprising our Group before the Reorganization and continues to own and control these companies after the Reorganization. Accordingly, except for the acquisition of Xiao Nan Guo Nutritional, which has been accounted for under the purchase method of accounting, the consolidated financial statements of our Group for the Track Record Period have been prepared in accordance with merger accounting method as if the Reorganization had been completed at the beginning of the Track Record Period. The consolidated financial statements of our Group also included the accounts of Shanghai Hongqiao until July 1, 2008. Shanghai Hongqiao was wholly-owned by Ms. Wang, and was engaged in restaurant operations and property-leasing business of leasing self-owned premises to our Group and other companies controlled by Ms. Wang. It formed part of our Group's business operations until July 1, 2008, when our Group intended to streamline its business and Shanghai Hongqiao transferred its restaurant operations to our Group. Since July 2008, the sole remaining business of Shanghai Hongqiao has been holding and leasing its self-owned properties. Our Directors are not aware of any dispute, claims, legal proceedings or investigation that was lodged against Shanghai Hongqiao upon its exit from our Group in July 2008.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following:

Restaurant Openings and Closings

We generate substantially all of our revenue from food and beverage sales at our restaurants. Food and beverage sales are affected by the number of our restaurants in operation and the number of total operating days of our restaurants, which in turn are affected by our restaurant openings and closings.

The following table sets forth the number of our restaurants in operation, by geographical region and brand, as of the dates indicated.

	As of December 31,			As of
	2008	2009	2010	the Latest Practicable Date
Number of Restaurants:				
<i>China</i>				
Shanghai Xiao Nan Guo	16	21	27	40
Maison De L'Hui	—	—	3	4
<i>Hong Kong</i>				
Shanghai Xiao Nan Guo	5	6	6	7
Total	21	27	36	51

From the beginning of the Track Record Period on January 1, 2008 to the Latest Practicable Date, we closed four restaurants, all of which were Shanghai Xiao Nan Guo branches. One closing in Shanghai in July 2008 was attributable to the relocation of the branch to another floor in the same building. Another closing in Shanghai occurred in December 2008 because the lease was not renewed upon expiration due to renovation of the premises. The third and fourth closings were our two temporary branches at the World Expo park in Shanghai, which operated from May 2010 to October 2010 during the World Expo.

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The table below sets forth information on revenue and number of restaurants for our restaurants in operation throughout each period indicated, restaurants newly opened and restaurants closed during the applicable period.

	Restaurants in operation throughout the period	Restaurants newly added during the period	Restaurants closed during the period	Total
(RMB thousands, except number of restaurants)				
2008				
Revenue	475,183	47,868	54,895	577,946
Number of restaurants	14	7	2	23
2009				
Revenue	591,177	46,219	—	637,396
Number of restaurants	21	6	—	27
2010				
Revenue	767,419	50,388	28,086	845,893
Number of restaurants	27	9 ⁽¹⁾	2	38
Five months ended May 31, 2011				
Revenue	393,206	12,811	—	406,017
Number of restaurants	36	9	—	45

(1) Excluding the two temporary restaurants at the World Expo park in Shanghai, which were opened in May 2010 and closed in October 2010 during the World Expo.

A new restaurant generally experiences lower results of operations due to initially lower sales and higher start-up operating costs. For example, the daily average revenue per restaurant for our restaurants in operation throughout 2010 was RMB78,000, while the daily average revenue per restaurant for our restaurants newly added during 2010 was RMB37,000. A new restaurant generally requires six to nine months for the sales at a new Shanghai Xiao Nan Guo restaurant location to ramp up as we seek to enhance awareness in the local market. New restaurants also incur expenses before openings such as employee salaries. We currently intend to open a total of approximately 22, 26, and 33 new restaurants in 2011, 2012 and 2013, respectively. The length of our restaurant ramp-up period and the proportion of new restaurants we have in operation during any period may affect our overall results of operations.

Comparable Restaurant Sales

Comparable restaurant sales for a given fiscal year refer to the revenue of all restaurants that qualified as comparable restaurants during that year. We define our comparable restaurant base to be those restaurants that were open throughout the periods under comparison. For example, the comparable restaurants for 2008 and 2009 are restaurants that were open throughout both 2008 and 2009. For the opening dates of our restaurants operating during the Track Record Periods, please see

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the section headed “Business — Restaurant Network”. Comparable restaurant sales are primarily affected by the guest counts and the average check per guest at the comparable restaurants. The table below sets forth our comparable restaurant sales over the Track Record Period.

	For the year ended December 31,		For the year ended December 31,		For the five months ended May 31,	
	2008	2009	2009	2010	2010	2011
Number of comparable restaurants						
China	10	10	16	16	21	21
Hong Kong	4	4	5	5	6	6
Total number	14	14	21	21	27	27
Comparable restaurants sales (RMB thousands)						
China	364,902	339,218	483,005	552,052	259,620	266,339
Hong Kong	110,281	93,090	108,172	116,973	53,948	61,608
Total sales	475,183	432,308	591,177	669,025	313,568	327,947
Daily average revenue per comparable restaurant (RMB)						
China	99,973	92,936	82,706	94,529	81,873	83,992
Hong Kong	75,535	63,760	59,272	64,095	59,545	68,000
Total daily average revenue . . .	92,991	84,600	77,127	87,283	76,911	80,438
Increase/(decrease) of comparable restaurants sales during comparable periods						
China		(7.0)%		14.3%		2.6%
Hong Kong		(15.6)%		8.1%		14.2%
Total increase/(decrease).		(9.0)%		13.2%		4.6%

Guest Traffic and Average Check per Guest

Our business is significantly affected by changes in guest traffic and average check per guest. We estimate and record the guest count through our point-of-sale systems at each restaurant. Average check per guest is a measure of our restaurant sales divided by the guest count of the relevant restaurants during the same period. The guest traffic and average check per guest at our restaurants are affected by, among other things, macroeconomic factors, our menu mix and pricing, changes in discretionary spending patterns and consumer tastes, and lifestyle trends of the general public.

During the Track Record Period, average guest count at our restaurants was impacted by the global financial crisis that unfolded in the second half of 2008 and the subsequent recovery of economy in 2010. Average guest count was also impacted by our new restaurants openings in the same market as our existing restaurants, as some of our customers were diverted from our existing restaurants to our new restaurants, and vice versa. We carefully consider any likely impact on our existing restaurants when we evaluate each new restaurant site, and seek to balance any impact on our existing restaurants with the new restaurant’s ability to attract more customers from competitors. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Opening new restaurants in existing markets may negatively affect sales at our existing restaurants”. Additionally, the guest counts of our restaurants in China, particularly in Shanghai, were also affected by the World Expo, which attracted visitors from a wide range of countries and regions to Shanghai in 2010.

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The following table sets forth the estimated guest count and average check per guest for our comparable restaurants during the Track Record Period. Any differences between the results of guest count multiplied by the average check per guest on the one hand and the comparable restaurant sales during the same period on the other hand are due to rounding.

	For the year ended December 31,		For the year ended December 31,		For the five months ended May 31,	
	2008	2009	2009	2010	2010	2011
Number of comparable restaurants						
China.	10	10	16	16	21	21
Hong Kong.	4	4	5	5	6	6
Total number	<u>14</u>	<u>14</u>	<u>21</u>	<u>21</u>	<u>27</u>	<u>27</u>
Estimated guest count of comparable restaurants (thousands)						
China.	1,943	1,705	2,472	2,646	1,271	1,214
Hong Kong.	634	539	658	635	284	286
Total estimated guest count.	<u>2,577</u>	<u>2,244</u>	<u>3,130</u>	<u>3,281</u>	<u>1,555</u>	<u>1,500</u>
Estimated average check per guest of comparable restaurants (RMB)						
China.	188	199	195	209	204	219
Hong Kong.	174	173	164	184	190	215
Total estimated average check per guest	<u>184</u>	<u>193</u>	<u>189</u>	<u>204</u>	<u>202</u>	<u>219</u>

Our Shanghai Xiao Nan Guo restaurants primarily cater to the mid- to high-end of the Chinese consumer market, while our Maison De L'Hui restaurants primarily cater to the high-end market by focusing on business clientele. The average check per guest for our Shanghai Xiao Nan Guo restaurants in China, including alcoholic and nonalcoholic beverages, was generally slightly higher than the average check per guest for our restaurants in Hong Kong during the Track Record Period, reflecting our slightly different market positioning in Hong Kong. The average check per guest at our Maison De L'Hui restaurants was estimated to be RMB526 for the year ended December 31, 2010.

Food Prices

Food prices affect our cost of inventories consumed, which consists of the cost of all the food and beverages used in our operations, including the restaurant-level food and beverages costs. Food prices in China have been generally rising during the Track Record Period. In response to this trend, we have, among other things, introduced higher-margin menu items, increased efforts to improve our operating efficiency by standardizing our operation procedures and centralizing supply purchases through the use of central kitchens and warehouses, and increased prices charged in our restaurants for selected menu items. As a result of our efforts, our cost of inventories consumed as a percentage of our revenue decreased continuously from 37.7% in 2008 to 35.5% in 2009, 34.1% in 2010 and 33.8% in the five months ended May 31, 2011.

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Our cost of inventories consumed as a percentage of revenue in Hong Kong was generally lower than in China during the Track Record Period, primarily reflecting generally higher menu prices in our Hong Kong restaurants relative to cost. Our cost of inventories consumed as a percentage of revenue will continue to be a key performance indicator of the overall efficiency and profitability of our business operations.

Labor Costs

The salary level of employees in the restaurant industry in China has been generally increasing in recent years. Employee attrition levels tend to be higher in the food services industry than in other industries. We offer competitive wages and other benefits to our restaurant employees to manage employee attrition. Our labor costs as a percentage of revenue are also affected by the number of newly opened restaurants in a given fiscal period. It generally requires six to nine months for the sales at a new Shanghai Xiao Nan Guo restaurant location to ramp up to the expected level, which generates upward pressure on our labor costs as a percentage of revenue during such ramp-up period.

The labor costs related to our restaurants, central kitchens and central warehouses were 17.0%, 18.0%, 19.2% and 19.3% of our revenue from restaurant operations in the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively. We expect our labor costs at our restaurants to continue to increase as inflationary pressures in the PRC drive up wages. We believe the resulting upward pressure on our total labor costs as a percentage of total revenue could be mitigated by (i) our increasing operating leverage expected from the use of central kitchens as our restaurant network expands, (ii) dilution of the increased labor costs as the number of our total restaurants continuously increases; and (iii) our efforts to control the variable portions of labor costs at our newly-opened restaurants by controlling the employee headcount before a restaurant fully ramps up and prioritizing internal transfer and re-allocation of employees from existing restaurants.

Occupancy Costs

Our occupancy costs related to our restaurants, central kitchens and central warehouses accounted for 11.6%, 14.7%, 14.2% and 16.0% of our revenue from restaurant operations in the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively. Our restaurant leases typically have a term of five to ten years and a rent-free period ranging from three to four months at the beginning of the lease term. The rental expenses vary depending on the size and location of the restaurant. Some of our restaurant leases provide for a specified fixed rent or contingent rent to be determined as a percentage of the applicable restaurant's revenue. Both specified fixed rent and contingent rent may be subject to rent escalation clauses. Certain other leases require the rent to be determined as a sum of (i) a specified fixed amount, plus (ii) a contingent rent, or the higher amount between a contingent rent and a specified fixed amount, or the sum of a specified percentage of revenue and a specified fixed amount, depending on the specific terms of the relevant lease agreements. Still other leases require the rent to be determined as the higher amount between (i) a contingent rent as a percentage of revenue, and (ii) a specified fixed rent or the higher amount between a specified fixed rent and a specified percentage of revenue, depending on the specific terms of the relevant lease agreements. We also entered into cooperation agreements with the landlords with respect to two Shanghai Xiao Nan Guo restaurants, opened in 2008 and to be opened in the last quarter of 2011, respectively. Under the cooperation agreements, we operate the Shanghai Xiao Nan Guo restaurants at the premises provided by the landlords, while each of the landlords is entitled to a minority share of the applicable restaurant's revenue. We record the landlords' pre-determined shares of revenue as the rental expenses for the relevant restaurants. We may enter into similar arrangements with our landlords in future depending on the negotiations between the parties. As a result of the

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above, our annual occupancy costs vary according to our revenues from restaurant operations. As we intend to continue to open new restaurants and expand our restaurant network, we expect our occupancy costs related to our restaurants, central kitchens and central warehouses to increase generally in the future.

The following table sets forth the number of our restaurants and amount of rental expenses involved in connection with each of the categories of rental expenses indicated during the Track Record Period.

	For the year ended December 31,						For the five months ended May 31,	
	2008		2009		2010		2011	
	Number of restaurants	Amount of rental expenses (RMB'000)	Number of restaurants	Amount of rental expenses (RMB'000)	Number of restaurants	Amount of rental expenses (RMB'000)	Number of restaurants	Amount of rental expenses (RMB'000)
Specified fixed rent	12 ⁽³⁾	38,470	11	42,230	15	43,678	16	25,734
Contingent rent . . .	3 ⁽⁴⁾	2,858	4	8,201	5	14,101	6	7,243
Sum of two portions ⁽¹⁾	1	3,597	2	5,463	5 ⁽⁵⁾	12,519	3	6,506
Higher amount between two portions ⁽²⁾	7	21,030	10	35,718	13	47,181	20	24,059
Total	<u>23⁽³⁾⁽⁴⁾</u>	<u>65,955</u>	<u>27</u>	<u>91,612</u>	<u>38⁽⁵⁾</u>	<u>117,479</u>	<u>45</u>	<u>63,542</u>

⁽¹⁾ Calculated as the sum of (i) a specified fixed amount, plus (ii) a contingent rent or the higher amount between a contingent rent and a specified fixed amount or the sum of a specified percentage of revenue and a specified fixed amount, depending on the specific terms of the relevant lease agreements.

⁽²⁾ Determined as the higher amount between (i) a contingent rent, and (ii) a specified fixed rent or the higher amount between a specified fixed rent and a specified percentage of revenue, depending on the specific terms of the relevant lease agreements.

⁽³⁾ Including the Shanghai Xiao Nan Guo restaurant closed in December 2008 because of expiration of the lease.

⁽⁴⁾ Including the Shanghai Xiao Nan Guo restaurant closed in July 2008 because of relocation to another floor in the same building.

⁽⁵⁾ Including the two temporary Shanghai Xiao Nan Guo restaurants at the World Expo park in Shanghai, operating from May 2010 to October 2010.

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The following table sets forth the number of our restaurants and amount of rental expenses involved by geographical regions during the Track Record Period.

	For the year ended December 31,						For the five months ended May 31,	
	2008		2009		2010		2011	
	Number of restaurants	Amount of rental expenses (RMB'000)	Number of restaurants	Amount of rental expenses (RMB'000)	Number of restaurants	Amount of rental expenses (RMB'000)	Number of restaurants	Amount of rental expenses (RMB'000)
Northern China ⁽¹⁾ . . .	2	12,686	5	19,169	8	23,429	9	15,576
Eastern China ⁽²⁾ . . .	16	35,482	16	52,917	24 ⁽³⁾	68,275	30	37,870
Hong Kong	5	17,788	6	19,525	6	25,774	6	10,096
Total.	<u>23</u>	<u>65,956</u>	<u>27</u>	<u>91,611</u>	<u>38</u>	<u>117,478</u>	<u>45</u>	<u>63,542</u>

⁽¹⁾ Including restaurants located in Beijing, Dalian and Tianjin during the Track Record Period.

⁽²⁾ Including restaurants located in Shanghai, Suzhou, Nanjing and Ningbo during the Track Record Period.

⁽³⁾ Including the two temporary Shanghai Xiao Nan Guo restaurants at the World Expo park in Shanghai, operating from May 2010 to October 2010.

Seasonality

Our business is subject to seasonal fluctuations. Holidays, severe weather and similar conditions may impact our revenues seasonally. Historically, the percentage of our revenue derived from the second half of a calendar year has been higher than the first half of the year, reflecting higher frequency of corporate and family gatherings during the second half of the year, which have more festivals and holidays, such as Mid-autumn Festival, National Day and Christmas, than the first half of the year in the PRC. Because of the seasonality of our business, our results for any period of a year are not necessarily indicative of the results that may be achieved for the full year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our financial statements in conformity with IFRS, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies, and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our consolidated financial statements. We believe that the following accounting policies involve a higher degree of

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judgment and complexity in their application and require us to make significant accounting estimates. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus.

Deferred Income and Advances from Customers

We commenced issuing membership cards to our guests under our customers relationship management system in October 2009. The guests may accumulate credits on the membership card by dining at our restaurants, and redeem the credits during the next visit by converting them into discounts. The amount of revenue attributable to the credits earned by the guests is recorded as deferred income under current liabilities, and is estimated based on the fair value of the credits awarded and expected redemption rate. The expected redemption rate was estimated by considering the number of the credits that will be available for redemption in future after allowing for credits that are not expected to be redeemed. We recorded deferred income in connection with the membership cards issued under our customer relationship management system in the amount of nil, nil, RMB1.7 million and RMB2.1 million as of December 31, 2008, 2009 and 2010 and May 31, 2011, respectively.

The members under our membership programs may make prepayment into their membership cards and use the cards for payments at our restaurants. In addition, we issue pre-paid gift cards to our guests that can be used at our restaurants located in pre-determined cities. Pre-payments made by our customers into the membership cards or in exchange for the pre-paid gift cards represent advances from customers, which are recorded as part of our other payables and accruals in our consolidated statements of financial position. The balance of such advances from our customers were RMB28.8 million, RMB36.3 million, RMB44.6 million and RMB43.4 million as of December 31, 2008, 2009 and 2010 and May 31, 2011, respectively. Such pre-payments will not be recognized as our revenue until the customers pay for our foods and services using the balance in their membership cards or pre-paid gift cards. There is no redemption period for the pre-payments in our membership cards or pre-paid gift cards.

Impairment of Receivables

Impairment of receivables is made based on assessment of their recoverability. The identification of impairment of receivables requires management's judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment loss/reversal of impairment in the period in which such an estimate has been changed.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax

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assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to tax losses were RMB2.2 million, RMB5.7 million, RMB6.3 million and RMB6.5 million as of December 31, 2008, 2009 and 2010 and May 31, 2011, respectively.

DESCRIPTION OF SELECTED COMPONENTS OF RESULTS OF OPERATIONS

Revenue

Revenue, which is also our Group's turnover, represents the net invoiced value of the services rendered and goods sold, after allowances for returns and trade discounts, net of sales taxes and surcharges. Substantially all of our revenue is derived from food and beverage sales from our restaurant operations.

In addition, historically, we derived revenue from other businesses comprising (i) sales of branded food products, including rice dumplings, moon cakes, hairy crabs and Spring Festival Eve packaged dinners, (ii) sales of packed meals manufactured by Xiao Nan Guo Nutritional until early 2010, when the packed meals business at Xiao Nan Guo Nutritional was closed down, (iii) businesses subsequently disposed to companies owned by Ms. Wang in 2010, including Xiao Nan Guo Da Wei Lai and a single-store quick-service restaurant, and (iv) an employee canteen in Beijing, which we agreed to operate per request of the landlord who leases us the premises for our central kitchen in the same building. Since our acquisition of Xiao Nan Guo Nutritional in February 2008, we gradually wound down its packed meal sales until early 2010 when all such sales ceased. We disposed Xiao Nan Guo Da Wei Lai to a company owned by Ms. Wang in October 2010, primarily because (i) none of our Directors or senior management was involved in its daily management and operation, and (ii) our Directors intended to focus on the management and operation of our Shanghai Xiao Nan Guo restaurants and Maison De L'Hui restaurants. See the section headed "Relationship with Controlling Shareholders — Delineation of Our Business from the Excluded Businesses — Shanghai Xin Di". Under the call option granted by Ms. Wang to our Company, we may consider to acquire back all or part of Xiao Na Guo Da Wei Lai at our sole and absolute discretion. For more details, see the section headed "Relationship with Controlling Shareholders — Call Option Deed". We disposed the single-store quick-service restaurant to a company owned by Ms. Wang in July 2010, primarily because our Directors intended to focus on the management and operation of our Shanghai Xiao Nan Guo restaurants and Maison De L'Hui restaurants. The restaurant was subsequently closed in the first quarter of 2011, because the landlord intended to adjust the market positioning of the relevant premises.

The following table sets forth the components of our revenue for the period indicated.

	For the year ended December 31,			For the five months ended May 31,	
	2008	2009	2010	2010	2011
	(RMB thousands)			(RMB thousands) (unaudited)	
Restaurant operations	577,946	637,396	845,893	325,318	406,017
Other businesses	14,977	21,575	26,584	8,917	7,465
Net revenue	<u>592,923</u>	<u>658,971</u>	<u>872,477</u>	<u>334,235</u>	<u>413,482</u>

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The guest check at our restaurant is primarily settled by way of (i) bank card, (ii) cash, (iii) receivables from independent third parties, primarily including (x) certain landlords of our restaurants, and (y) third-party issuers of various pre-paid gift cards, (iv) check, and (v) others, primarily including debits to the pre-payments made by our customers in their membership cards or pre-paid gift cards issued by us. For more details about the receivable from certain landlords of our restaurants, please see the section headed “Financial Information — Discussion of Our Statement of Financial Position Items — Trade Receivables”. The following table sets forth the percentages of our revenue from restaurant operations settled by the various settlement methods for the periods indicated.

	For the year ended December 31,			For the five months ended May 31,
	2008	2009	2010	2011
	(percentages)			
Bank card	72.0	74.1	75.7	77.2
Cash	19.8	17.7	16.0	13.3
Receivables from independent third parties	3.4	3.2	3.4	3.9
Check	2.5	2.1	1.9	1.8
Others	2.3	2.9	3.0	3.8
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Our business consists of two geographic segments: China operations and Hong Kong operations. The following table sets forth our revenue by geographic segment for the period indicated.

	For the year ended December 31,						For the five months ended May 31,			
	2008		2009		2010		2010		2011	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
(RMB thousands, except percentages)										
(unaudited)										
China	480,406	81.0	548,443	83.2	738,406	84.6	280,287	83.9	351,874	85.1
Hong Kong	<u>112,517</u>	<u>19.0</u>	<u>110,528</u>	<u>16.8</u>	<u>134,071</u>	<u>15.4</u>	<u>53,948</u>	<u>16.1</u>	<u>61,608</u>	<u>14.9</u>
Total	<u>592,923</u>	<u>100.0</u>	<u>658,971</u>	<u>100.0</u>	<u>872,477</u>	<u>100.0</u>	<u>334,235</u>	<u>100.0</u>	<u>413,482</u>	<u>100.0</u>

Cost of Inventories Consumed

Cost of inventories consumed primarily consists of the cost of all the food and beverages used in our operations. The following table sets forth the breakdown of our cost of inventories consumed for the periods indicated.

	For the year ended December 31,			For the five months ended May 31,	
	2008	2009	2010	2010	2011
	(RMB thousands)				
Restaurant operations	211,982	218,197	285,028	118,034	136,720
Other businesses	11,574	15,474	12,297	4,067	3,131
Total	<u>223,556</u>	<u>233,671</u>	<u>297,325</u>	<u>122,101</u>	<u>139,851</u>

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The cost of inventories consumed as a percentage of revenue from restaurants in Hong Kong was generally lower than in China during the Track Record Period. See “— Key Factors Affecting Our Results of Operations — Food Prices”.

Other Income

The following table sets forth the components of our other income for the period indicated.

	For the year ended December 31,			For the five months ended May 31,	
	2008	2009	2010	2010	2011
	(RMB thousands)			(RMB thousands) (unaudited)	
Government grants	6,559	9,413	13,673	5,041	4,207
Bank interest income	376	199	442	132	141
Excess over cost of a business combination	31	—	—	—	—
Management fee	—	—	1,500	—	1,250
Property rental income	1,341	—	—	—	—
Others	438	936	2,918	598	1,044
Total	<u>8,745</u>	<u>10,548</u>	<u>18,533</u>	<u>5,771</u>	<u>6,642</u>

Other income primarily consists of grants from local governments for purposes of promoting employment and economy of the local community. New restaurant openings and our rising revenue qualify us for receipt of government grants, and there is no obligation attached to such grants.

Our other income also included (i) the property rental income in 2008 from leasing a portion of the premises owned by Shanghai Hongqiao, which was deconsolidated from our Group in July 2008, to a company wholly-owned by Ms. Wang, and (ii) the management fee charged to Xiao Nan Guo (Group) Co., Ltd. for certain management and administrative service pursuant to an integrated management service agreement dated July 1, 2010 for a term of one year. For further detail about the management fee arrangement, see the section headed “Connected Transactions — Continuing Connected Transactions — Exempted Continuing Connected Transactions — Framework Integrated Service Agreement”.

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Selling and Distribution Costs

Our selling and distribution costs principally comprise labor costs, occupancy costs, utility expenses and depreciation related to our restaurants, central kitchens and central warehouses. The following table sets forth a breakdown of our selling and distribution costs for the periods indicated.

	For the year ended December 31,						For the five months ended May 31,			
	2008		2009		2010		2010		2011	
	% of our revenue from restaurant operations	% of our revenue from restaurant operations	% of our revenue from restaurant operations	% of our revenue from restaurant operations	% of our revenue from restaurant operations	% of our revenue from restaurant operations	% of our revenue from restaurant operations	% of our revenue from restaurant operations	% of our revenue from restaurant operations	% of our revenue from restaurant operations
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	(RMB thousands, except percentages)						(RMB thousands, except percentages)			
Labor costs	98,188	17.0	114,621	18.0	162,546	19.2	62,699	19.3	78,266	19.3
Occupancy costs	66,768	11.6	93,730	14.7	120,217	14.2	47,335	14.6	64,914	16.0
Utility and consumables	38,643	6.7	44,011	6.9	57,683	6.8	20,026	6.2	26,033	6.4
Depreciation	18,446	3.2	23,780	3.7	32,223	3.8	12,227	3.8	20,655	5.1
Others	19,996	3.5	19,361	3.0	28,479	3.4	9,131	2.8	12,543	3.1
Total	242,041	42.0	295,503	46.3	401,148	47.4	151,418	46.7	202,411	49.9

The following is a description of each component of our selling and distribution costs:

- *labor costs*, primarily consisting of wages, salaries, bonuses, pension scheme costs, social welfare and other employment benefits paid to, or provided for, employees of our restaurants, central kitchens and central warehouses;
- *occupancy costs*, primarily consisting of both fixed and variable portions of rent, property maintenance charges, insurance premiums and other related fees for premises leased for our restaurants, central kitchens and central warehouses;
- *utility and consumables*, primarily consisting of (i) utility expenses incurred for gas, electricity, water and heating utilities, and (ii) consumables expenses for paper napkins, cleaning consumables and other consumables used in our restaurants, central kitchens and central warehouses;
- *depreciation*, primarily consisting of depreciation charges for buildings, leasehold improvements, furniture, fixtures and equipment at our restaurants, central kitchens and central warehouses;
- *others*, primarily consisting of miscellaneous expenses related to operations at our restaurants, central kitchens and central warehouses, such as bank card transaction charges, local restaurant-level marketing expenses, transportation expenses and maintenance expenses.

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General and Administrative Expenses

General and administrative expenses primarily consist of labor costs for our financial, human resources, product development, marketing, and other general and administrative departments. Such labor costs primarily comprise wages, salaries, bonuses, pension scheme costs, social welfare and other employment benefits paid to, or provided for, employees at these departments. Other general and administrative expenses primarily include occupancy costs and utility expenses for our headquarters, recruiting expenses at general and administrative departments, headquarters-level marketing expenses and other miscellaneous expenses. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated.

	For the year ended December 31,						For the five months ended May 31,			
	2008		2009		2010		2010		2011	
	Amount	% of our revenue	Amount	% of our revenue	Amount	% of our revenue	Amount	% of our revenue	Amount	% of our revenue
(RMB thousands, except percentages)						(RMB thousands, except percentages)				
Labor costs	20,872	3.6	31,179	4.7	46,620	5.3	18,335	5.5	24,948	6.0
Others	4,374	0.7	13,478	2.1	20,635	2.4	8,534	2.5	8,884	2.2
Total	<u>25,246</u>	<u>4.3</u>	<u>44,657</u>	<u>6.8</u>	<u>67,255</u>	<u>7.7</u>	<u>26,869</u>	<u>8.0</u>	<u>33,832</u>	<u>8.2</u>

Our general and administrative expenses as a percentage of revenue increased from 4.3% in 2008 to 6.8% in 2009, 7.7% in 2010 and 8.2% in the five months ended May 31, 2011, primarily reflecting increased compensation to our management team as we increased hiring of qualified senior management talents to develop our standardizing operations under modern corporate management principles.

Finance Costs

Our finance costs represent interest expenses on bank loans. Our interest expenses on bank loans were RMB3.0 million, RMB2.2 million, RMB3.4 million and RMB1.8 million for the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively.

Income Tax Expenses

Except for preferential tax rates available to Shanghai Pudong Xiao Nan Guo Restaurant Co. Ltd. (上海浦東小南國餐飲有限公司) and Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd. (上海新區小南國餐飲管理有限公司), our operations in the PRC are subject to a corporate income tax rate of 25.0% on taxable income arising in the PRC. For more details, please see Note 10 to the Accountants' Report set out in Appendix I to this prospectus. Our operations in Hong Kong are subject to a profits tax rate of 16.5% on estimated assessable profits arising in Hong Kong. Our effective tax rate for operations in the PRC was 23.5%, 23.3%, 24.2% and 25.8% for the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively; our effective tax rate for operations in Hong Kong was 16.8%, 18.2%, 17.8% and 14.3% for the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively.

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Under the New EIT Law, dividends declared by a foreign-invested enterprise in China to its foreign investor, who is a non-resident enterprise, will be subject to a withholding tax, effective from January 1, 2008 and applicable to earnings after December 31, 2007. We are subject to the withholding tax on dividends distributed by our subsidiaries incorporated in the PRC in respect of earnings generated since January 1, 2008. Please see the section headed “Risk Factors — Risks Relating to China — The dividends we receive from our Chinese subsidiaries and our global income may be subject to Chinese tax under the New EIT Law, which would have a material adverse effect on our results of operations; our non-PRC Shareholders will be subject to a Chinese withholding tax upon the dividends payable by us and gains on the sale of Shares, if we are classified as a Chinese ‘resident enterprise’”. As of May 31, 2011, we recognized no deferred tax liability for such withholding tax in connection with the remaining earnings of our subsidiaries incorporated in China, because our Directors determined that it was not probable that these subsidiaries would distribute the remaining earnings in the foreseeable future. For more details, please see Note 27 to the Accountants’ Report set out in Appendix I to this prospectus.

Discontinued Operation

As part of our corporate restructuring, we acquired Xiao Nan Guo WFOE, which operated a spa business and was ultimately controlled by Ms. Wang, in May 2010 for a total contractual consideration of RMB5 million, and sold such business back to our Controlling Shareholder in December 2010 for a contractual consideration of RMB5 million. For further details, see the section headed “History and Development”.

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REVIEW OF HISTORICAL OPERATING RESULTS

The following table sets out our summary consolidated income statement for the periods indicated. This information should be read together with our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus.

	For the year ended December 31,						For the five months ended May 31,			
	2008		2009		2010		2010		2011	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
(unaudited)										
(RMB thousands, except percentages)										
CONTINUING OPERATIONS										
REVENUE	592,923	100.0	658,971	100.0	872,477	100.0	334,235	100.0	413,482	100.0
Cost of inventories consumed	(223,556)	(37.7)	(233,671)	(35.5)	(297,325)	(34.1)	(122,101)	(36.5)	(139,851)	(33.8)
Gross profit	369,367	62.3	425,300	64.5	575,152	65.9	212,134	63.5	273,631	66.2
Other income and gains	8,745	1.5	10,548	1.6	23,109	2.6	5,771	1.7	6,642	1.6
Selling and distribution costs	(242,041)	(40.8)	(295,503)	(44.8)	(401,148)	(46.0)	(151,418)	(45.3)	(202,411)	(49.0)
Administrative expenses	(25,246)	(4.3)	(44,657)	(6.8)	(67,255)	(7.7)	(26,869)	(8.0)	(33,832)	(8.2)
Other expenses	(285)	(0.0)	(159)	(0.0)	(386)	(0.0)	(46)	(0.0)	(240)	(0.1)
Finance costs	(2,992)	(0.5)	(2,206)	(0.3)	(3,446)	(0.4)	(1,408)	(0.4)	(1,782)	(0.4)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	107,548	18.2	93,323	14.2	126,026	14.4	38,164	11.5	42,008	10.1
Income tax expense	(24,317)	(4.1)	(21,247)	(3.2)	(29,940)	(3.4)	(9,212)	(2.8)	(9,999)	(2.4)
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	83,231	14.1	72,076	11.0	96,086	11.0	28,952	8.7	32,009	7.7
DISCONTINUED OPERATION										
Profit/(loss) for the year/period from a discontinued operation	(389)	(0.1)	(349)	(0.1)	386	0.1	(36)	(0.0)	—	—
PROFIT FOR THE YEAR/PERIOD	82,842	14.0	71,727	10.9	96,472	11.1	28,916	8.7	32,009	7.7
Attributable to: Owners of the Company	82,842	14.0	71,727	10.9	96,472	11.1	28,916	8.7	32,009	7.7

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Five Months Ended May 31, 2011 Compared to Five Months Ended May 31, 2010

Revenue

Our revenue increased by RMB79.3 million, or 23.7%, from RMB334.2 million in the five months ended May 31, 2010 to RMB413.5 million in the five months ended May 31, 2011. This increase was due to an increase of RMB80.7 million in revenue from our restaurant operations, partially offset by a decrease of RMB1.5 million in revenue from other businesses during the periods.

Revenue from restaurant operations

Our revenue from restaurant operations increased by RMB80.7 million, or 24.8%, from RMB325.3 million in the five months ended May 31, 2010 to RMB406.0 million in the five months ended May 31, 2011, primarily reflecting:

- a RMB14.4 million increase in comparable restaurants sales from the five months ended May 31, 2010 to the five months ended May 31, 2011;
- a RMB21.2 million increase from the ramp-up of the three Shanghai Xiao Nan Guo restaurants that were opened during the five months ended May 31, 2010;
- a RMB38.2 million increase from the three Shanghai Xiao Nan Guo restaurants and three Maison De L'Hui restaurants that were opened between June 1, 2010 and December 31, 2010; and
- a RMB12.7 million increase from the eight Shanghai Xiao Nan Guo restaurants and one Maison De L'Hui restaurant newly opened during the five months ended May 31, 2011; which were partially offset by
- a decrease in revenue from the two temporary restaurants in World Expo park in Shanghai that were opened from May 2010 to October 2010.

Comparable restaurant sales are primarily affected by the guest counts and the average check per guest. See the section headed “Key Factors Affecting Our Results of Operations — Guest Traffic and Average Check per Guest.” The growth in comparable restaurants sales in the five months ended May 31, 2011 comprises (i) a growth in sales from our 21 comparable restaurants in China, which primarily reflected an increase in the average check per guest, partially offset by a decrease in guest count, and (ii) a growth in sales of our six comparable restaurants in Hong Kong, which in turn primarily reflected an increase in the average check per guest and, secondarily, a slight increase in the guest count.

The increase in the average check per guest for our comparable restaurants in China and Hong Kong primarily reflected the rising menu prices in the five months ended May 31, 2011, which in turn primarily reflected an increase in the costs of food and beverages used in our operations.

The decrease in the guest count of our 21 comparable restaurants base in China resulted from a decrease in the guest count at our 13 comparable restaurants in Shanghai, partially offset by an increase in the guest count at our eight comparable restaurants in other cities of the PRC. The guest count from our 13 comparable restaurants located in Shanghai decreased by 6.9% from the five months ended May 31, 2010 to the five months ended May 31, 2011, which primarily reflected (i) the impact of higher traffic from the World Expo in Shanghai during the five months ended May 31, 2010, and

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(ii), secondarily, the impact of the construction or renovation works at the local areas where certain of our restaurants were located, which temporarily reduced the accessibility of our relevant restaurant sites to pedestrians or vehicles during five months ended May 31, 2011. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Sites of our existing restaurants may become unattractive, and our new restaurants may not be able to obtain quality sites for commercially reasonable prices, if at all.”

The guest count of our six comparable restaurants base in Hong Kong slightly increased from the five months ended May 31, 2010 to the five months ended May 31, 2011, despite that one of the restaurants was temporarily closed down for approximately two months in 2011 for renovation and refurbishment.

Revenue from other businesses

Our revenue from other businesses decreased by RMB1.4 million, or 15.7%, from RMB8.9 million in the five months ended May 31, 2010 to RMB7.5 million in the five months ended May 31, 2011, which primarily reflected (i) the closing down of the ancillary packed meal business at Xiao Nan Guo Nutritional in early 2010, and (ii) disposal of a single-store quick-service restaurant and Xiao Nan Guo Da Wei Lai to companies owned by Ms. Wang in July 2010 and October 2010, respectively.

Other income and gains

Our other income and gains increased by RMB0.8 million, or 13.8%, from RMB5.8 million in the five months ended May 31, 2010 to RMB6.6 million in the five months ended May 31, 2011, primarily reflecting a management fee of RMB1.3 million charged to Xiao Nan Guo (Group) Co., Ltd. for our management and administrative services in the five months ended May 31, 2011, partially offset by a slight decrease in government grants from the five months ended May 31, 2010 to the five months ended May 31, 2011.

Cost of inventories consumed

Our cost of inventories consumed increased by RMB17.8 million, or 14.6%, from RMB122.1 million in the five months ended May 31, 2010 to RMB139.9 million in the five months ended May 31, 2011, which primarily reflected (i) an increase in quantities of food and beverages consumed in our operations, reflecting rising revenue in the five months ended May 31, 2011, and, secondarily, (ii) the rising price levels of food and beverages in China and Hong Kong during the same period.

Our cost of inventories consumed as a percentage of our revenue decreased from 36.5% in the five months ended May 31, 2010 to 33.8% in the five months ended May 31, 2011, primarily reflecting (i) our efforts of introducing higher-margin menu items, (ii) further improvements in operating efficiency through our continuing initiatives of standardization of operations and centralization of supply purchases, and (iii) an increase in menu prices of our restaurants.

Selling and distribution costs

Selling and distribution costs increased by RMB51.0 million, or 33.7%, from RMB151.4 million in the five months ended May 31, 2010 to RMB202.4 million in the five months ended May 31, 2011, which primarily reflected an increase in all major components, reflecting our expanded operations in the five months ended May 31, 2011.

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Our labor costs related to our restaurants, central kitchens and central warehouses increased by RMB15.6 million, or 24.9%, from RMB62.7 million in the five months ended May 31, 2010 to RMB78.3 million in the five months ended May 31, 2011, which was in line with our expanded operations. As a percentage of our revenue from restaurant operations, labor costs stayed stable at 19.3% in the five months ended May 31, 2010 and 2011. We believe that the stable labor costs as a percentage of our revenue from restaurant operations primarily reflected, among other things, our efforts to manage the variable portions of labor costs at our newly-opened restaurants by (i) controlling the headcount of restaurant staff before a newly-opened restaurant fully ramps up, and (ii) prioritizing internal transfer and re-allocation of employees from existing restaurants to improve the overall utilization of restaurant staff. For more details, please see the section headed “Business — Employees”.

Our occupancy costs related to our restaurants, central kitchens and central warehouses increased by RMB17.6 million, or 37.2%, from RMB47.3 million in the five months ended May 31, 2010 to RMB64.9 million in the five months ended May 31, 2011. As a percentage of our revenue from restaurant operations, occupancy costs increased from 14.6% in the five months ended May 31, 2010 to 16.0% in the five months ended May 31, 2011, primarily reflecting the accelerated expansion of our restaurant network in 2011. We opened eight Shanghai Xiao Nan Guo restaurants and one Maison De L’Hui restaurants in the five months ended May 31, 2011, compared with three Shanghai Xiao Nan Guo restaurants and two temporary restaurants in the World Expo park in the five months ended May 31, 2010.

Our depreciation charges related to our restaurants, central kitchens and central warehouses increased by RMB8.5 million, or 69.7%, from RMB12.2 million in the five months ended May 31, 2010 to RMB20.7 million in the five months ended May 31, 2011. As a percentage of our revenue from restaurant operations, depreciation charges increased from 3.8% in the five months ended May 31, 2010 to 5.1% in the five months ended May 31, 2011, primarily reflecting an increase in our leasehold improvements, furniture, fixtures and equipment at our restaurant network that has been expanding at an accelerated pace in 2011.

General and administrative expenses

Administrative expenses increased by RMB6.9 million, or 25.7%, from RMB26.9 million in the five months ended May 31, 2010 to RMB33.8 million in the five months ended May 31, 2011, and as a percentage of revenue, administrative expenses slightly increased from 8.0% to 8.2% during the same period. These increases primarily reflected increased compensation to our management team as we (i) increased hiring of management talents at our headquarters in Shanghai, (ii) expanded our regional management teams overseeing our operations in eastern China, northern China and southern China and Hong Kong, respectively, and (iii) set up management structure in the new markets as our restaurant network expanded.

Income tax expenses

Our income tax expenses increased by RMB0.8 million, or 8.7%, from RMB9.2 million in the five months ended May 31, 2010 to RMB10.0 million in the five months ended May 31, 2011, primarily reflecting increases in profit before tax during the same periods. Our overall effective tax rate decreased from 24.2% in the five months ended May 31, 2010 to 23.7% in the five months ended May 31, 2011.

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Profit for the period

As a result of the foregoing, our profit for the period increased by RMB3.1 million, or 10.7%, from RMB28.9 million in the five months ended May 31, 2010 to RMB32.0 million in the five months ended May 31, 2011. Our net profit margin decreased from 8.7% in the five months ended May 31, 2010 to 7.7% in the five months ended May 31, 2011, which primarily reflected the increases in the selling and distribution costs and general and administrative expenses as percentages of our revenues, in line with the accelerated expansion pace of our restaurant network.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Revenue

Our revenue increased by RMB213.5 million, or 32.4%, from RMB659.0 million in 2009 to RMB872.5 million in 2010. This increase was due to (i) an increase of RMB208.5 million in revenue from our restaurant operations, and (ii) an increase of RMB5.0 million in revenue from other businesses during the year.

Revenue from restaurant operations

Our revenue from restaurant operations increased by RMB208.5 million, or 32.7%, from RMB637.4 million in 2009 to RMB845.9 million in 2010, primarily reflecting:

- a RMB77.8 million increase in comparable restaurants sales from 2009 to 2010;
- a RMB78.5 million increase from (i) the eight newly opened Shanghai Xiao Nan Guo restaurants, including the two temporary restaurants in World Expo park in Shanghai, and (ii) three newly opened Maison De L'Hui restaurants in 2010; and
- continuing ramp-up and full-year results of the four restaurants opened in 2009.

The growth in comparable restaurants sales in 2010 comprises (i) a growth in sales from our 16 comparable restaurants in China, which primarily reflected an increase in the guest count and average check per guest, and (ii) a growth in sales of our five comparable restaurants in Hong Kong, which in turn primarily reflected an increase in the average check per guest.

The increase in the average check per guest for our comparable restaurants in China and Hong Kong primarily reflected the rising menu prices in 2010, which in turn primarily reflected an increase in the costs of food and beverages used in our operations. We believe the increase in the average guest count of our comparable restaurants base in China primarily reflected a combination of (i) the recovery of the Chinese economy in 2010, and (ii) an increase in sales in Shanghai from the World Expo held from May 2010 to October 2010. As a result of the above factors, sales from our 12 comparable restaurants located in Shanghai increased by 15.6% from 2009 to 2010.

Revenue from other businesses

Our revenue from other businesses increased by RMB5.0 million, or 23.1%, from RMB21.6 million in 2009 to RMB26.6 million in 2010, which primarily reflected an increase in sales of branded food products, partially offset by the closing down of the ancillary packed meal business at Xiao Nan

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Guo Nutritional in early 2010. Sales of branded food products increased by RMB11.2 million, or 120.4%, from RMB9.3 million in 2009 to RMB20.5 million in 2010, primarily reflecting our initiatives to expand and promote the sale of branded food products at our restaurants or to corporate customers directly.

Other income and gains

Our other income and gains increased by RMB12.6 million, or 120.0%, from RMB10.5 million in 2009 to RMB23.1 million in 2010, primarily reflecting (i) an increase in government grants from RMB9.4 million in 2009 to RMB13.7 million in 2010, (ii) a management fee of RMB1.5 million charged to Xiao Nan Guo (Group) Co., Ltd. for our management and administrative services in 2010, and (iii) a net gain of RMB4.6 million from disposals of Spa Business, Xiao Nan Guo Da Wei Lai and a single-store quick-service restaurant to companies controlled by Ms. Wang in 2010. We received more government grants in 2010 primarily due to (i) new restaurant openings, and (ii) our rising revenue in 2010, both of which resulted in the award of more government grant.

Cost of inventories consumed

Our cost of inventories consumed increased by RMB63.6 million, or 27.2%, from RMB233.7 million in 2009 to RMB297.3 million in 2010, which primarily reflected (i) an increase in quantities of food and beverages consumed in our operations, reflecting rising revenue in 2010, and, secondarily, (ii) the rising price levels of food and beverages in China and Hong Kong in 2010.

Our cost of inventories consumed as a percentage of our revenue decreased from 35.5% in 2009 to 34.1% in 2010, primarily reflecting (i) an introduction of higher-margin menu items, (ii) operating efficiency improvements associated with further standardization of operations and centralization of supply purchases, and (iii) an increase in menu prices of our restaurants.

Selling and distribution costs

Selling and distribution costs increased by RMB105.6 million, or 35.7%, from RMB295.5 million in 2009 to RMB401.1 million in 2010, which primarily reflected an increase in all major components, reflecting our expanded operations in 2010.

Our labor costs related to our restaurants, central kitchens and central warehouses increased by RMB47.9 million, or 41.8%, from RMB114.6 million in 2009 to RMB162.5 million in 2010. As a percentage of our revenue from restaurant operations, labor costs increased from 18.0% in 2009 to 19.2% in 2010, primarily reflecting (i) a wage increase across our labor base in 2010, and (ii) labor costs associated with (x) hiring of staff in connection with newly opened restaurants, including our three newly opened Maison De L'Hui restaurants in 2010, and (y) the newly opened central warehouse in Shanghai in 2010.

General and administrative expenses

Administrative expenses increased by RMB22.6 million, or 50.6%, from RMB44.7 million in 2009 to RMB67.3 million in 2010, and as a percentage of revenue, administrative expenses increased from 6.8% in 2009 to 7.7% in 2010. These increases primarily reflected increased compensation to our management team as we increased hiring of qualified senior management talents.

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Income tax expenses

Our income tax expenses increased by RMB8.8 million, or 41.5%, from RMB21.2 million in 2009 to RMB30.0 million in 2010, primarily reflecting increases in profit before tax in 2010. Our overall effective tax rate increased from 22.8% in 2009 to 23.7% in 2010.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB24.8 million, or 34.6%, from RMB71.7 million in 2009 to RMB96.5 million in 2010. Our net profit margin increased from 10.9% in 2009 to 11.1% in 2010.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenue

Our revenue increased by RMB66.1 million, or 11.1%, from RMB592.9 million in 2008 to RMB659.0 million in 2009. This increase was due to (i) an increase of RMB59.5 million in revenue from our restaurant operations, and (ii) an increase of RMB6.6 million in revenue from other businesses during 2009.

Revenue from restaurant operations

Revenue from our restaurant operations increased by RMB59.5 million, or 10.3%, from RMB577.9 million in 2008 to RMB637.4 million in 2009, primarily reflecting:

- a RMB46.2 million increase from the six newly opened Shanghai Xiao Nan Guo restaurants in 2009; and
- continuing ramp-up and full-year results of the seven restaurants opened in the second half of 2008; which was partially offset by
- a RMB42.9 million decrease in comparable restaurant sales from 2008 to 2009.

The decrease in comparable restaurants sales in 2009 comprises (i) a decrease in sales of our ten comparable restaurants in China, which primarily reflected a decrease in the guest count, partially offset by an increase in the average check per guest, and (ii) a decrease in sales of our four comparable restaurants in Hong Kong, which primarily reflected a decrease in the guest count and average check per guest.

We believe the decrease in guest counts for our comparable restaurants primarily reflected (i) the impact of the global financial crisis that unfolded in the second half of 2008, and (ii) the impact of some of our new restaurant openings on our existing restaurants within the same consumer target area, thereby diverting customers from existing restaurants and transferring sales to new restaurants, and vice versa.

The increase in average check per guest of our comparable restaurants base in China primarily reflected our rising menu prices in our restaurants in China in 2009 compared with 2008. The decrease in average check per guest of our comparable restaurants base in Hong Kong primarily reflected the more severe impact of the global financial crisis in Hong Kong compared with China.

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Revenue from other businesses

Our revenue from other businesses increased by RMB6.6 million, or 44.0%, from RMB15.0 million in 2008 to RMB21.6 million in 2009, primarily reflecting an increase in sales of packaged foods as we expanded our branded food products operations in 2009 to fully capture this business opportunity, partially offset by the gradual scaling down of packed meals business at Xiao Nan Guo Nutritional. We were in the process of converting Xiao Nan Guo Nutritional into our central kitchen in 2009, and gradually scaling down the ancillary packed meal business during the same period.

Other income and gains

Our other income and gains increased by RMB1.8 million, or 20.7%, from RMB8.7 million in 2008 to RMB10.5 million in 2009, primarily reflecting an increase in government grants from RMB6.6 million in 2008 to RMB9.4 million in 2009. We received more government grant in 2009 primarily due to (i) new restaurant openings, and (ii) rising revenue in 2009, both of which resulted in the award of more government grant in 2009.

Cost of inventories consumed

Our cost of inventories consumed increased by RMB10.1 million, or 4.5%, from RMB223.6 million in 2008 to RMB233.7 million in 2009, which primarily reflected an increase in quantities of food and beverages consumed in our operations resulting from our expanded restaurant network.

Our cost of inventories consumed as a percentage of our revenue decreased from 37.7% in 2008 to 35.5% in 2009, primarily reflecting rising menu prices in our restaurants in China in 2009 and our increased efforts to improve our operating efficiency by further standardizing our operation procedures and centralizing supply purchases.

Selling and distribution costs

Selling and distribution costs increased by RMB53.5 million, or 22.1%, from RMB242.0 million in 2008 to RMB295.5 million in 2009, which primarily reflected an increase in all major components in line with our expanded operations in 2009.

Our labor costs related to our restaurants, central kitchens and central warehouses increased by RMB16.4 million, or 16.7%, from RMB98.2 million in 2008 to RMB114.6 million in 2009. As a percentage of our revenue from restaurant operations, labor costs increased from 17.0% in 2008 to 18.0% in 2009, primarily reflecting (i) a wage increase across our labor base in 2009, and (ii) deleveraging of labor costs against lower comparable restaurants sales in 2009.

General and administrative expenses

Administrative expenses increased by RMB19.5 million, or 77.4%, from RMB25.2 million in 2008 to RMB44.7 million in 2009, and as a percentage of revenue, administrative expenses increased from 4.3% in 2008 to 6.8% in 2009. These increases primarily reflected increased compensation to our management team as we increased hiring of qualified senior management talents.

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Income tax expenses

Our income tax expenses decreased by RMB3.1 million, or 12.8%, from RMB24.3 million in 2008 to RMB21.2 million in 2009, primarily reflecting decreases in profit before tax in 2009. Our overall effective tax rate increased slightly from 22.6% in 2008 to 22.8% in 2009.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB11.1 million, or 13.4%, from RMB82.8 million in 2008 to RMB71.7 million in 2009. Our net profit margin decreased from 14.0% in 2008 to 10.9% in 2009.

DISCUSSION OF OUR STATEMENT OF FINANCIAL POSITION ITEMS

Inventory

Our inventory is stated at the lower of cost and net realizable value. We determine average cost of inventory on a weighted average basis, and net realizable value is estimated as the estimated selling prices less any estimated costs to be incurred in connection with the disposal. The following table sets out information on our inventory balance and inventory turnover days as of the date indicated.

	<u>As of and for the year ended December 31,</u>			<u>As of and for the</u> <u>five months ended</u>
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>May 31,</u> <u>2011</u>
	(RMB thousands, except turnover days)			
Inventory	12,743	10,561	21,801	25,074
Inventory turnover days ⁽¹⁾	16.9	18.2	19.9	25.1

(1) Average inventory is the inventory at the beginning of the period plus the inventory at the end of the period with the sum divided by two. Inventory turnover days equal the average inventory divided by cost of inventories consumed multiplied by the number of days during the period generating the sales (i.e. 365 days for each of the three years ended December 31, 2010 and 150 days for the five months ended May 31, 2011).

Our inventory mainly comprises food and beverages used in our operations, including food ingredients, semi-processed and processed foods, beverages and other finished products. Our inventory turnover days increased from 19.9 days in 2010 to 25.1 days in the five months ended May 31, 2011, primarily reflecting an increase in our inventory resulting from (i) our increasing use of strategic stockpiles of seasonal food ingredients, such as herring and fresh water shrimp, to ensure year-round availability and protect ourselves against price fluctuations for such food ingredients, and (ii) the increase in storage level of food and beverages in May 2011 in preparation for the four new restaurants opened in May 2011 and three new restaurants opened in June 2011. Our inventory turnover days increased from 18.2 days in 2009 to 19.9 days in 2010, primarily reflecting a significant increase in our inventory resulting from (i) increased centralization of our warehousing in 2010, as we commenced to use our current central warehouses in Shanghai and Beijing in April 2010 and stored more food ingredients of relatively longer shelf-life, such as frozen goods and dry goods, and (ii) the commencement of our purchase of high-end specialty seafood items from Japan in 2010. The use of

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central warehouses allows us to strategically store food ingredients with wide price fluctuations, which provides us greater protection against market movements. Our inventory turnover days increased from 16.9 days in 2008 to 18.2 days in 2009, primarily reflecting the relatively longer shelf life of our inventory in 2009 due to the impact of the global financial crisis.

Trade Receivables

A substantial majority of our guests pay by bank card at the time of sale. Our trade receivables primarily consist of (i) receivables from banks in connection with bank card payments made by our guests, (ii) receivables from our landlords with respect to our restaurants located in hotels, who collects payments from the hotel guests upon check-out, (iii) receivables from corporate customers, and (iv) receivables from the landlords of two Shanghai Xiao Nan Guo restaurants (who are both Independent Third Parties), representing the outstanding amount to be paid periodically by the landlords back to us under the relevant lease agreement or cooperation agreement, which provide that, as a measure by the landlords to ensure access to our turnover figures at the relevant restaurants, the landlords may collect the sales revenue at the relevant restaurants everyday and directly deduct a pre-determined percentage of the sales. The amount of each guest order is still recorded through our computerized point-of-sale systems at these two restaurants, which allows us to monitor the sales revenue at these restaurants. In addition, our cashiers at the two restaurants conduct daily reviews of the sales reports generated by our point-of-sale systems. For more details on our cooperation agreement with the landlord for one of our Shanghai Xiao Nan Guo restaurants, please see the section headed “— Key Factors Affecting Our Results of Operations — Occupancy Costs”. Our trade receivables turnover days remained relatively stable during the Track Record Period.

The following table sets out an ageing analysis of our trade receivables as of the dates indicated and trade receivables turnover days for the periods indicated.

	As of and for the year ended December 31,			As of and for the five months ended
	2008	2009	2010	May 31, 2011
	(RMB thousands)			
Within one month	5,706	4,924	7,015	8,159
One to two months	433	1,373	826	1,485
Two to three months	53	44	109	660
Over three months	368	341	283	863
Total	<u>6,560</u>	<u>6,682</u>	<u>8,233</u>	<u>11,167</u>
Trade receivables turnover days ⁽¹⁾	3.3	3.7	3.1	3.5

(1) We calculate trade receivables turnover days by dividing average trade receivables by revenue for the relevant period and multiplying the number of days during the period generating the sales (i.e. 365 days for each of the three years ended December 31, 2010 and 150 days for the five months ended May 31, 2011), while average trade receivables are obtained by dividing by two the sum of trade receivables at the beginning of the period and at the end of the period.

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Trade Payables

Our trade payables represent the purchase of food ingredients and beverages and are normally settled within 30 days after receipt of the invoice. Our trade payable turnover days increased from 60.0 days in 2010 to 69.6 days in the five months ended May 31, 2011, primarily reflecting the increase in our inventory level on May 31, 2011. Our trade payables turnover days decreased from 67.8 days in 2009 to 60.0 days in 2010, primarily due to our more streamlined processing and settlement procedures for trade payables in 2010. Our trade payables turnover days increased from 61.3 days in 2008 to 67.8 days in 2009, primarily reflecting our temporary management of our trade payable cycle in early 2009.

The table below sets out an ageing analysis of our trade payables as of the dates indicated.

	As of and for the year ended December 31,			As of and for the five months ended
	2008	2009	2010	May 31, 2011
	(RMB thousands)			
Within three months	39,666	44,047	50,512	76,513
Three months to one year	1,245	735	1,323	581
Over one year	674	499	578	353
Total	<u>41,585</u>	<u>45,281</u>	<u>52,413</u>	<u>77,447</u>
Trade payables turnover days ⁽¹⁾	61.3	67.8	60.0	69.6

(1) We calculate trade payables turnover days by dividing average trade payables by cost of inventories consumed for the relevant period and multiplying the number of days during the period generating the sales (i.e. 365 days for each of the three years ended December 31, 2010 and 150 days for the five months ended May 31, 2011), while average trade payables are obtained by dividing by two the sum of trade payables at the beginning of the period and at the end of the period.

Our trade payables aging over one year primarily comprise quality assurance deposits from (i) certain long-term food ingredients suppliers, and (ii) certain long-term utensils suppliers.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consist primarily of rental deposits, prepayments to decorating and refurbishment contractors, prepayments to suppliers, amounts due from Ms. Wang, amounts due from companies owned by Ms. Wang and amounts due from a director of certain subsidiaries of our Group in Hong Kong. Amounts due from Ms. Wang is presented net of amounts due to Ms. Wang. As of December 31, 2008, 2009 and 2010 and May 31, 2011, our prepayments, deposits and other receivables were RMB138.4 million, RMB216.1 million, RMB199.1 million and RMB183.2 million, respectively.

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Our prepayments, deposits and other receivables decreased from RMB199.1 million as of December 31, 2010 to RMB183.2 million as of May 31, 2011, primarily due to a decrease of RMB16.5 million in amounts due from Ms. Wang. Our prepayments, deposits and other receivables decreased from RMB216.1 million as of December 31, 2009 to RMB199.1 million as of December 31, 2010, primarily due to a decrease of RMB33.2 million in amounts due from Ms. Wang, reflecting settlement against our amount payable to Ms. Wang in connection with our acquisition of 100% equity interest in Xiao Nan Guo WFOE from Ms. Wang in June 2010, partially offset by (i) an increase in prepayments to decorating and refurbishment contractors as of year end in 2010, reflecting development of planned new restaurants, and (ii) an increase in amounts due from companies owned by Ms. Wang, reflecting (x) receivables from a company owned by Ms. Wang in connection with our disposal of Xiao Nan Guo Da Wei Lai and a single-store quick-service restaurant in July 2010 and October 2010, respectively, and (y) receivables from companies owned by Ms. Wang in connection with miscellaneous advancements by us on behalf of those companies. Our prepayments, deposits and other receivables increased from RMB138.4 million as of December 31, 2008 to RMB216.1 million as of December 31, 2009, primarily reflecting (i) an increase in amounts due from Ms. Wang in 2009, reflecting our payment of certain non-trade related amount due to Ms. Wang, (ii) an increase in amounts due from companies owned by Ms. Wang in 2009 in connection with miscellaneous advancements by us on behalf of those companies, (iii) an increase in prepayments to decorating and refurbishment contractors as of year end in 2009, reflecting development of planned new restaurants, and (iv) an increase in prepayments, representing an increase in advance payments to our suppliers due to our expanded operations in 2009.

Other Payables and Accruals

Our other payables and accruals consist primarily of payroll and welfare payables to our employees, payables to our decorating and refurbishment contractors, payables in relation to purchase of property and equipment, and amounts due to companies owned by Ms. Wang. The following table sets out, by principal category, our other payables and accruals as of the dates indicated.

	As of December 31,			As of May 31,
	2008	2009	2010	2011
	(RMB thousands)			
Payroll and welfare payables	12,922	17,475	22,063	23,179
Tax payables	4,856	11,418	12,239	5,254
Other payables for construction in progress . .	9,713	18,042	29,878	51,840
Accruals and other payables	9,882	14,505	18,700	27,870
Advance from customers	28,803	36,296	44,594	43,362
Amounts due to companies owned by the Controlling Shareholder	8,631	870	6,207	5,527
Total	<u>74,807</u>	<u>98,606</u>	<u>133,681</u>	<u>157,032</u>

The other payables and accruals increased from RMB133.7 million as of December 31, 2010 to RMB157.0 million as of May 31, 2011, primarily reflecting (i) an increase in other payables for construction in progress, which in turn primarily reflected our accelerated restaurant development in 2011, and (ii) an increase in accruals and other payables, which in turn primarily reflected an increase in miscellaneous payments to be made in the course of operations due to our expanded operations in the five months ended May 31, 2011.

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The other payables and accruals increased from RMB98.6 million as of December 31, 2009 to RMB133.7 million as of December 31, 2010, primarily reflecting (i) an increase in other payables for construction in progress, which in turn primarily reflected an increase in payables to our decorating and refurbishment contractors as of year end in 2010, (ii) an increase in payroll and welfare payables, which in turn primarily reflected an increase in headcount of our employees due to our expanding operations and wage increases across our labor base in 2010, (iii) an increase in advance from customers, which in turn primarily reflected the increase of pre-payments by our customers into their membership cards or in exchange for the pre-paid gift cards issued by us, and (iv) an increase in amounts due to companies owned by Ms. Wang, which in turn primarily reflected dividends declared and payable by Xiao Nan Guo Holdings HK to a company owned by Ms. Wang.

The other payables and accruals increased from RMB74.8 million as of December 31, 2008 to RMB98.6 million as of December 31, 2009, due to (i) an increase in other payables for construction in progress, which in turn primarily reflected an increase in payables to our decorating and refurbishment contractors in 2009, (ii) an increase in advance from customers, which in turn primarily reflected the increase of pre-payments by our customers into their membership cards or in exchange for the pre-paid gift cards issued by us, (iii) an increase in tax payables, which in turn primarily reflected the amount withheld as the PRC individual income tax payable on the dividends declared by Shanghai Xiao Nan Guo Restaurant in favor of Ms. Wang in 2009, (iv) an increase in payroll payables, which in turn primarily reflected an increase in headcount of our employees due to our expanding operations and wage increases across our labor base in 2009, and (v) an increase in accruals and other payables, which in turn primarily reflected an increase in miscellaneous payments to be made in the course of our operations due to our expanded operations in 2009, partially offset by a decrease in amounts due to companies owned by Ms. Wang, reflecting our payments in 2009 of the payables to those companies incurred in 2008.

Net Current Assets/(Liabilities)

We recorded net current assets of RMB21.4 million and RMB35.6 million, and net current liabilities of RMB163.5 million and RMB218.7 million as of December 31, 2008, 2009 and 2010 and May 31, 2011, respectively. We recorded net current liabilities as of May 31, 2011, primarily reflecting the increased expenditures incurred in relation to our accelerated pace of expansion in 2011. We opened 7, 6 and 11 restaurants in each of the three years ended December 31, 2010, respectively. We currently expect to open 22 new restaurants in 2011, and we were developing 8 Shanghai Xiao Nan Guo restaurants as of May 31, 2011. We recorded net current liabilities as of December 31, 2010, primarily reflecting (i) a declaration of RMB160.3 million in dividends by various subsidiaries of our Group in 2010, and (ii) an increase in net cash used in investing activities from RMB58.9 million in 2009 to RMB120.3 million in 2010, which in turn was primarily due to our expanded scale of new restaurant development in 2010 compared with 2009. See the section headed “Risk factors — Risks Relating to Our Industry and Business — We had net current liabilities and significant net cash outflows for investing activities during the Track Record Period”.

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We had net current liabilities of RMB204.6 million as of July 31, 2011. The following table sets forth the breakdown of our current assets and current liabilities as of July 31, 2011.

	<u>As of July 31, 2011</u>
	<u>(RMB thousands)</u>
Current assets	
Inventories	41,136
Trade receivables	12,114
Prepayments, deposits and other receivables	197,528
Cash and cash equivalents	50,359
	<u>301,137</u>
Current liabilities	
Trade payables	79,109
Interest-bearing bank loans	54,059
Tax payable	10,677
Dividends payable	196,827
Other payables and accruals	163,172
Deferred income	1,849
	<u>505,693</u>
Net current liabilities.	<u>204,556</u>

As of the date of this prospectus, all of our Group's non-trade receivables from and payables to the related parties, including (i) amount due from Ms. Wang, (ii) amount due to and from companies owned by Ms. Wang, and (iii) amount due from a director of our major subsidiaries in Hong Kong, have been fully settled.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we have funded our liquidity and capital requirements primarily through capital contributions from our Shareholders, short-term bank loans and cash inflows from our operating activities. We had net cash inflows from operating activities of RMB101.6 million, RMB27.5 million, RMB123.3 million and RMB84.5 million for the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively. As of May 31, 2011, we had RMB76.7 million in cash and cash equivalents.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus with the following sources of funding:

- cash inflows generated from our operating activities;
- proceeds from bank loans, including short-term and long-term bank loans;
- the cash and cash equivalents available, which were RMB50.4 million as of July 31, 2011; and
- proceeds to be received by our Group from the Global Offering.

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Based on the above, our Directors believe that we will have sufficient funds for our present working capital requirements for at least the next 12 months from the date of this prospectus.

Cash Flow

The following table sets out certain historical information regarding our consolidated cash flow for the periods indicated.

	As of and for the year ended December 31,			As of and for the five months ended May 31,	
	2008	2009	2010	2010	2011
	(RMB thousands)				
	(unaudited)				
Net cash inflow from operating activities	101,573	27,453	123,347	29,570	84,518
Net cash outflow for investing activities	(71,750)	(58,900)	(120,346)	(30,646)	(81,426)
Net cash inflow/(outflow) from financing activities	<u>6,002</u>	<u>35,746</u>	<u>8,378</u>	<u>(1,408)</u>	<u>(19,024)</u>
Increase/(decrease) in cash and cash equivalents	35,825	4,299	11,379	(2,484)	(15,932)
Cash and cash equivalents at beginning of year/period.	41,979	77,210	81,482	81,482	92,661
Effect of foreign exchange rate changes, net	<u>(594)</u>	<u>(27)</u>	<u>(200)</u>	<u>(211)</u>	<u>(71)</u>
Cash and cash equivalents at end of year/period	<u><u>77,210</u></u>	<u><u>81,482</u></u>	<u><u>92,661</u></u>	<u><u>78,787</u></u>	<u><u>76,658</u></u>

Operating activities

Net cash inflow from operating activities was RMB84.5 million in the five months ended May 31, 2011, which was primarily attributable to our operating cash flows before movements in working capital of RMB66.0 million. Changes in working capital represented an increase of cash of RMB36.1 million, primarily reflecting (i) an increase in trade payables of RMB25.0 million, and (ii) a decrease in prepayments, deposits and other receivables of RMB15.8 million. We paid income tax of RMB17.5 million in the five months ended May 31, 2011.

Net cash inflow from operating activities was RMB29.6 million in the five months ended May 31, 2010, which was primarily attributable to our operating cash flows before movements in working capital of RMB53.8 million. Changes in working capital represented use of cash of RMB2.4 million, primarily reflecting (i) an increase in prepayments, deposits and other receivables of RMB22.8 million, and (ii) an increase in inventory of RMB6.7 million, partially offset by (x) an increase in other payables and accruals of RMB21.2 million, and (y) an increase in trade payables of RMB10.3 million. We paid income tax of RMB21.7 million in the five months ended May 31, 2010.

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Net cash inflow from operating activities was RMB123.3 million in 2010, which was primarily attributable to our operating cash flows before movements in working capital of RMB163.7 million. Changes in working capital represented use of cash of RMB10.0 million, primarily reflecting (i) a decrease in other payables and accruals of RMB26.6 million, and (ii) an increase in inventory of RMB11.4 million, partially offset by (x) decrease in prepayments, deposits and other receivables of RMB17.4 million, and (y) an increase in trade payables of RMB10.5 million. We paid income tax of RMB30.3 million in 2010.

Net cash inflow from operating activities was RMB27.5 million in 2009, which was primarily attributable to our operating cash flows before movements in working capital of RMB124.5 million. Changes in working capital represented use of cash of RMB68.7 million, primarily reflecting (i) an increase in prepayments, deposits and other receivables of RMB78.7 million, and (ii) an increase in long-term rental deposits of RMB7.2 million, partially offset by (x) an increase in other payables and accruals of RMB8.5 million, (y) an increase in trade payables of RMB4.2 million, and (z) an increase in deferred rental liabilities of RMB2.4 million. We paid income tax of RMB28.4 million in 2009.

Net cash inflow from operating activities was RMB101.6 million in 2008, which was primarily attributable to our operating cash flows before movements in working capital of RMB130.8 million. Changes in working capital represented use of cash of RMB4.6 million, primarily reflecting (i) an increase in prepayments, deposits and other receivables of RMB12.1 million, (ii) an increase in long-term rental deposits of RMB7.2 million, and (iii) an increase in inventories of RMB4.6 million, partially offset by (x) an increase in other payables and accruals of RMB14.4 million, and (y) an increase in trade payables of RMB7.8 million.

Investing activities

Net cash outflow from investing activities was RMB81.4 million in the five months ended May 31, 2011, primarily attributable to (i) a cash outflow of RMB79.5 million mainly for purchase of leasehold improvements, furniture, fixtures and equipments and construction in progress in connection with decorating and refurbishing our existing and new restaurants, and (ii) a cash outflow of RMB2.1 million for payments to a software development company in connection with development of our enterprise resource planning systems.

Net cash outflow from investing activities was RMB30.6 million in the five months ended May 31, 2010, primarily attributable to a cash outflow of RMB30.8 million mainly for purchase of leasehold improvements, furniture, fixtures and equipments and construction in progress in connection with decorating and refurbishing our existing and new restaurants.

Net cash outflow from investing activities was RMB120.3 million in 2010, primarily attributable to a cash outflow of RMB125.9 million mainly for purchase of leasehold improvements, furniture, fixtures and equipments and construction in progress in connection with decorating and refurbishing our existing and new restaurants, partially offset by a net cash inflow of RMB4.9 million in connection with disposals to various companies owned by Ms. Wang of our entire interest in (i) Xiao Nan Guo Da Wei Lai, the Chinese food take-away and delivery business, for RMB0.5 million in October 2010, (ii) a single-store quick-service restaurant for RMB0.2 million in July 2010, which was subsequently closed in the first quarter of 2011, and (iii) Spa Business for RMB5 million in December 2010.

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Net cash outflow from investing activities was RMB58.9 million in 2009, primarily attributable to a cash outflow of RMB59.2 million mainly for payments of leasehold improvements, furniture, fixtures and equipments and construction in progress in connection with decorating and refurbishing our existing and new restaurants.

Net cash outflow from investing activities was RMB71.8 million in 2008, primarily attributable to (i) a cash outflow of RMB49.4 million mainly for payments of leasehold improvements, furniture, fixtures and equipments and construction in progress in connection with decorating and refurbishing our existing and new restaurants, (ii) a cash outflow of RMB14.3 million in connection with disposal of the cash and cash equivalents of Shanghai Hongqiao, which was deconsolidated by our Group in July 2008, and (iii) a net cash outflow of RMB5.8 million in connection with our acquisition of Xiao Nan Guo Nutritional in February 2008.

Financing activities

Net cash outflow from financing activities was RMB19.0 million in the five months ended May 31, 2011, primarily attributable to (i) the repayment of bank loans of RMB10.0 million, and (ii) the payment of dividends of RMB7.2 million.

Net cash outflow from financing activities was RMB1.4 million in the five months ended May 31, 2010, primarily attributable to (i) the repayment of bank loans of RMB30.0 million, and (ii) the payment of interests of RMB1.4 million, partially offset by the proceeds from new bank loans of RMB30.0 million.

Net cash inflow from financing activities was RMB8.4 million in 2010, primarily attributable to the proceeds from new bank loans of RMB100 million, partially offset by repayment of bank loans of RMB80 million and the payment of dividends of RMB8.2 million.

Net cash inflow from financing activities was RMB35.7 million in 2009, primarily attributable to the proceeds from new bank loans of RMB70.0 million, partially offset by repayment of bank loans of RMB32.0 million.

Net cash inflow from financing activities was RMB6.0 million in 2008, primarily attributable to the proceeds from new bank loans of RMB44.4 million, partially offset by repayment of bank loans of RMB30.0 million and the payment of dividends of RMB5.5 million.

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INDEBTEDNESS

Bank Borrowings

The following table sets out our interest-bearing bank borrowings as of the dates indicated and the effective interest rates of such borrowings.

	Effective interest rate	Maturity	As of December 31,			As of May 31,
			2008	2009	2010	2011
	(%)		(RMB thousands)			
Current bank loans						
— Secured bank loan	5.56	2011	—	—	20,000	20,000
— Secured bank loan	5.31	2011	—	—	60,000	50,000
— Secured bank loan	7.84	2009	10,000	—	—	—
— Secured bank loan	6.85	2009	10,000	—	—	—
— Secured bank loan	5.31	2010	—	60,000	—	—
— Guaranteed bank loan	4.25	2009	1,793	—	—	—
— Unsecured bank loan	4.31	2009	255	—	—	—
Total			<u>22,048</u>	<u>60,000</u>	<u>80,000</u>	<u>70,000</u>

As of July 31, 2011, our available banking facilities comprised the Standard Chartered Onshore Facilities (as defined below) and Standard Chartered Offshore Facility (as defined below), of which RMB101.2 million under the Standard Chartered Onshore Facilities and HK\$17 million under the Standard Chartered Offshore Facilities had been utilized; our interest-bearing bank borrowings amounted to RMB115.3 million in total. As of July 31, 2011, we had no assets under pledge to secure our bank borrowings. Our Directors confirm that except as described above, there have been no material changes in our indebtedness or contingent liabilities since July 31, 2011.

We had no difficulties in renewing our banking facilities in the past. Our Group currently does not have any plan to obtain any material debt financing in the foreseeable future. Except as described in the section headed “— Indebtedness”, we did not have, as of July 31, 2011, any outstanding mortgage, charge, debenture or other loan capital (issued or agreed to be issued), bank overdraft, loan, liability under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantee or other material contingent liability.

Except the bank loans of HK\$2.3 million in total provided by Hang Seng Bank Limited in 2008, all of our interest-bearing bank borrowings were denominated in RMB during the Track Record Period. Our interest-bearing debt consisted of short-term bank loans which were incurred to fund our working capital and repayable within one year during the Track Record Period. As of May 31, 2011, our total bank borrowings in the amount of RMB70 million were all from Bank of Communications (交通銀行) and secured by a mortgage over the properties owned by Shanghai Hongqiao, a company ultimately wholly-owned by Ms. Wang. As of the Latest Practicable Date, we had fully repaid all outstanding bank borrowings from Bank of Communications and the mortgage provided by Shanghai Hongqiao was released accordingly.

In March 2011, we obtained Standard Chartered Onshore Facilities from Standard Chartered Bank (China) Limited, an affiliate of Standard Chartered, comprising a 24-month term loan of

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RMB120 million and a 12-month revolving credit facility of up to RMB40 million. Borrowings under the revolving credit facility bear interest at the base rate for six-month loans as promulgated by PBOC and effective on the drawdown date. Each drawdown under the revolving credit facility shall be repaid within three months after the relevant drawdown date. Borrowings under the term loan bear interest at the base rate for one-to-three-year loans as promulgated by PBOC and effective on the drawdown date, repayment of which shall commence on expiry of the sixth month after drawdown and be made in equal monthly payments. As of the Latest Practicable Date, we have drawn down RMB109.6 million under the 24-month term loan and RMB40 million under the 12-month revolving credit facility. Our obligations under the Standard Chartered Onshore Facilities are secured by (i) a personal guaranty by Ms. Wang, (ii) a letter of comfort issued by our Company, (iii) a corporate guaranty by Xiao Nan Guo WFOE, one of our wholly-owned subsidiaries in the PRC, (iv) a corporate guaranty by our Company, and (v) a deposit of an amount equal to 110% of all outstanding amount owed under the Standard Chartered Onshore Facilities to be made out of the net proceeds of the Global Offering into an escrow account at Standard Chartered Bank (Hong Kong) Limited. Standard Chartered Bank (China) Limited will release the personal guaranty by Ms. Wang before the Listing.

With respect to the proceeds from the Standard Chartered Onshore Facilities, we used the proceeds from the revolving credit facility for (i) repayment of bank borrowings in the amount of RMB40 million from Bank of Communications, and (ii) general working capital purposes. We intend to use the proceeds from the term loan to finance less than 80% of the total capital expenditure to be incurred for development of our planned new restaurants. We currently do not intend to repay all outstanding amounts under the Standard Chartered Onshore Facilities immediately upon the Listing primarily due to the process involved to remit any proceeds from the Global Offering to the PRC. However, once sufficient amount of proceeds from the Global Offering has been remitted to the PRC, we intend to use a portion of the net proceeds from the Global Offering to fully repay all outstanding amounts under the Standard Chartered Onshore Facilities. See the section headed “Future Plans and Use of Proceeds”.

The Standard Chartered Onshore Facilities contain various financial covenants, primarily including:

- *Ratio of total bank borrowings to tangible net assets.* The ratio of total bank borrowings to tangible net assets of Shanghai Xiao Nan Guo Restaurant, a PRC holding company of all our operating subsidiaries in China, shall be not more than 1.15 before June 30, 2011, not more than 0.9 before December 31, 2011, not more than 0.55 before June 30, 2012, and not more than 0.3 before December 31, 2012;
- *Ratio of total indebtedness to EBITDA.* The ratio of total indebtedness to EBITDA, calculated as profit with interest, taxes, depreciation and amortization added back, of Shanghai Xiao Nan Guo Restaurant shall be not more than 1.4 before June 30, 2011, not more than 1.3 before December 31, 2011, not more than 0.8 before June 30, 2012, and not more than 0.5 before December 31, 2012; and
- *Net assets.* The net assets of Shanghai Xiao Nan Guo Restaurant shall be not less than RMB140 million as of June 30, 2011, not less than RMB165 million as of December 31, 2011, not less than RMB195 million as of June 30, 2012, and not less than RMB235 million as of December 31, 2012.

The facilities also contain customary covenants restricting certain corporate actions, including asset dispositions, acquisitions, payment of dividends, changes of control, incurrence of indebtedness,

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provisions of financing and investments and transactions with affiliates. The facilities contain customary events of default that will give the lender the right to accelerate repayment of the outstanding principal and accrued interests. As of the Latest Practicable Date, the Directors confirm that we have been in full compliance with the relevant covenants and restrictions under the terms of the Standard Chartered Onshore Facilities. See the section headed “Risk Factors — Risks Relating to Our Industry and Business — Our historical dividend may not be indicative of our future dividends, and our ability to pay dividends and dispose of assets may be limited by contractual restrictions under our credit facilities”.

In May 2011, we obtained Standard Chartered Offshore Facility from Standard Chartered Bank (Hong Kong) Limited, an affiliate of Standard Chartered, providing for a 12-month bridge loan of HK\$17 million. The applicable interest rate per annum is the HIBOR of a comparable index maturity plus 2% per annum. As of the Latest Practicable Date, we have fully drawn down the 12-month bridge loan. Our obligations under the Standard Chartered Offshore Facility are secured by (i) a personal guaranty by Ms. Wang, (ii) an account charge granted by Xiao Nan Guo Holdings HK in favor of Standard Chartered Bank (Hong Kong) Limited, (iii) a share charge granted by China Wealth in favor of Standard Chartered Bank (Hong Kong) Limited over 80% of the issued share capital of our Company, and (iv) a corporate guaranty by our Company.

The Standard Chartered Offshore Facility contains various financial covenants, including:

- *Ratio of debt to earnings.* The ratio of consolidated total net borrowings of Xiao Nan Guo Holdings HK and its subsidiaries to their consolidated EBITDA, as defined under the Standard Chartered Offshore Facility, shall not exceed 1.5; and
- *Gearing ratio.* The ratio of consolidated total net borrowings of Xiao Nan Guo Holdings HK and its subsidiaries to their consolidated tangible net worth, as defined under the Standard Chartered Offshore Facility, shall not exceed 0.5.

The Standard Chartered Offshore Facility also contains customary covenants restricting certain corporate actions and customary events of default generally similar with the Standard Chartered Onshore Facilities. In addition, we are required to fully repay all outstanding amounts under the facility upon the Listing. As of the Latest Practicable Date, the Directors confirm that we have been in full compliance with the relevant covenants and restrictions under the terms of the Standard Chartered Offshore Facility. We intend to use the proceeds from the Standard Chartered Offshore Facility to finance the working capital needs of our operations in Hong Kong, and intend to use a portion of the net proceeds from the Global Offering to fully repay all outstanding amounts upon the Listing and reduce our finance costs as a result. See the section headed “Future Plans and Use of Proceeds”.

Contingent Liabilities

As of May 31, 2011, we had no significant contingent liabilities. We currently are not a party to any litigation that is likely to have a material adverse impact on our business, results of operations or financial condition. Our Directors confirm that there has been no material change in our contingent liabilities since May 31, 2011.

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Operating Lease Commitments

We lease the premises for our restaurants and headquarters from third parties under operating lease arrangements. The following table sets out our total future minimum rentals payable under non-cancelable operating leases as of the dates indicated.

	As of December 31,			As of May 31,
	2008	2009	2010	2011
	(RMB thousands)			
Within one year	69,567	107,112	124,469	159,156
In the second to fifth years, inclusive	263,713	338,686	455,027	608,861
After five years	133,718	168,952	279,740	451,718
Total	466,998	614,750	859,236	1,219,735

Capital Expenditure and Capital Commitments

Our capital expenditure primarily related to leasehold improvements and construction in progress for our new restaurants, expenditures to maintain existing restaurants, acquisition of furniture, fixtures, equipment and motor vehicles used in our operations. Our total capital expenditure amounted to RMB53.2 million, RMB67.0 million, RMB136.0 million and RMB101.4 million for each of the three years ended December 31, 2010 and the five months ended May 31, 2011. Our capital expenditure increased by RMB69 million, or 103.0%, from RMB67.0 million in 2009 to RMB136.0 million in 2010. The substantial increase in our capital expenditure in 2010 primarily reflected (i) the development and opening of 11 restaurants in 2010 compared with only six restaurants in 2009, and (ii) the development of three restaurants in the second half of 2010 that were opened in early 2011.

We anticipate our capital expenditures in the future will increase to the extent we open new restaurants. We budget our capital expenditure based on our liquidity position and expansion plan. Based on the expected proceeds from the Global Offering, proceeds from our bank borrowings, including borrowings under our Standard Chartered Onshore Facilities and Standard Chartered Offshore Facility, and our expansion plan for 2011, 2012 and 2013, we currently expect the total planned capital expenditure for the three years ending December 31, 2013 to be approximately RMB250 million, RMB300 million, and RMB350 million, respectively. Our planned capital expenditure primarily comprises expenditures in connection with (i) leasehold improvements for newly opened restaurants, (ii) furniture, acquisition of fixtures, equipment and motor vehicles used in our operations, and (iii) construction in progress for our new restaurants under development.

Our capital commitments generally comprise payments to our decorating and refurbishment contractors in connection with the leasehold improvements for our new restaurants. The following table sets out our capital commitments as of the dates indicated.

	As of December 31,			As of May 31,
	2008	2009	2010	2011
	(RMB thousands)			
Contracted but not provided for				
— Leasehold improvements	23,149	45,236	49,644	66,900

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Our contracted but not provided for capital commitments as of May 31, 2011 were RMB66.9 million, which related to capital commitments for nine new Shanghai Xiao Nan Guo restaurants planned to be opened in 2011 in Shanghai, Wuxi and Ningbo in eastern China, Tianjin in northern China, and Shenzhen in southern China. We expect to fund such capital commitments with our own working capital and bank loans.

Off-balance Sheet Arrangements

During the Track Record Period and up to the Latest Practicable Date, except for the capital commitments disclosed above, we had no other significant off-balance sheet arrangements.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, we confirm that there are no circumstances that will give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIVIDENDS AND DIVIDEND POLICY

We declared dividends of RMB5.5 million, RMB38.0 million, RMB160.3 million and nil for the three years ended December 31, 2010 and five months ended May 31, 2011, respectively; we paid or settled dividends payable (including withholding tax) of RMB5.5 million, RMB36.9 million, RMB22.5 million and RMB7.2 million for the three years ended December 31, 2010 and the five months ended May 31, 2011, respectively. As of May 31, 2011, our outstanding dividends payable was RMB196.8 million. We expect to fully settle all outstanding dividends payable by our Group before September 25, 2011, by (i) settling against the amounts due from Ms. Wang or companies owned by Ms. Wang, which totaled RMB137.4 million as of May 31, 2011, and (ii) paying the remaining amount (including withholding tax) with cash generated from our operating activities.

Our Board may declare dividends, if any, after taking into account our results of operations, cash flows and financial condition, operating and capital requirements and other factors as our Board may deem relevant at such time. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries and associated companies may enter into in the future.

We do not expect to declare any dividend in respect of the year ending December 31, 2011. Our Directors currently intend to declare a dividend of no more than 25% of our annual net profit after tax attributable to owners of our Company in respect of the year ending December 31, 2012. However, such intention does not amount to any guarantee, representation or indication that the Company must or will declare and pay dividends in such manner or at all. See “Risk factors — Risks Relating to Our Industry and Business — Our historical dividend may not be indicative of our future dividends, and our ability to pay dividends and dispose of assets may be limited by contractual restrictions under our credit facilities”.

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PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2011

The Directors believe that, on the basis and assumptions set out in the Profit Forecast in Appendix III to this prospectus and in the absence of unforeseen circumstances, our forecast consolidated profit attributable to owners of our Company for the year ending December 31, 2011 is unlikely to be less than RMB113.8 million. The profit forecast has been prepared by the Directors based on (i) the audited consolidated results of the Group for the five months ended May 31, 2011, (ii) the unaudited consolidated results of the Group for the month ended June 30, 2011 and (iii) our forecast of the consolidated results of the Group for the remaining six months ending December 31, 2011.

There can be no assurance that such estimates will ultimately be realized, or if not realized, that the failure to realize such results will not have a material and adverse impact on our financial condition or results of operations.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group, which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on May 31, 2011. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group.

	Audited consolidated net tangible assets attributable to owners of the Company as of May 31, 2011	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	RMB'000	RMB'000	RMB	(HK\$ equivalent)
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on an Offer Price of HK\$1.65 per Share. .	150,918	402,946	553,864	0.41	0.50
Based on an Offer Price of HK\$2.20 per Share. .	150,918	549,057	699,975	0.52	0.64

Notes:

- The audited consolidated net tangible assets attributable to owners of the Company as of May 31, 2011 is arrived at after deducting the intangible assets of RMB1,894,000 from the audited consolidated net assets of RMB152,812,000 as of May 31, 2011, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK\$1.65 and HK\$2.20, respectively, after deduction of the estimated underwriting fees and related expenses payable by the Company. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.8217, the prevailing rate quoted by the PBOC on September 7, 2011.

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3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,335,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be offered for sale upon exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8217, the prevailing rate quoted by the PBOC on September 7, 2011.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that except as described in the section headed “— Indebtedness”, there has been no material adverse change in our financial or trading position or our prospects since May 31, 2011, being the date of the latest audited consolidated financial results as set out in the Accountants’ Report in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the sections headed “Business — Business Strategies” and “Business — Expansion Plans, Site Selection and Development” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK\$1.93 per Share (being the mid-point of the indicative range of the Offer Price of HK\$1.65 to HK\$2.20 per Share), we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be approximately HK\$581 million.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 57.3% of the net proceeds, or HK\$333 million, to open new restaurants including 5 restaurants in the fourth quarter of 2011, 26 and 33 new restaurants in 2012 and 2013, respectively, by increasing our penetration of existing markets in our restaurant network in eastern, northern and southern regions of Greater China, and pushing out into new regional economic centers near the existing markets;
- approximately 37.5% of the net proceeds, or HK\$218 million, to repay the bank loans we received under Standard Chartered Onshore Facilities and Standard Chartered Offshore Facility, respectively; for the principal amounts and applicable interest rates of the Standard Chartered Onshore Facilities and Standard Chartered Offshore Facility, please see the section headed “Financial Information — Indebtedness — Bank Borrowings”; and
- approximately 5.2% of the net proceeds, or HK\$30 million, to (i) update our information technology systems to achieve higher operating efficiency, (ii) establish new central kitchens and central warehouses in northern and southern China to support our expansion of restaurant network, (iii) establish regional centers in Greater China to foster flexibility and responsiveness to unique characteristics of different regional markets, and (iv) launch promotional campaigns to increase brand awareness among our target customers.

Except (i) the HK\$218 million allocated for the repayment of the bank loans we received from the two affiliates of Standard Chartered, and (ii) the HK\$30 million allocated to develop our corporate infrastructure and launch promotional campaigns, the above allocation of the proceeds, i.e. the proceeds allocated to open new restaurants, will be adjusted accordingly in the event that the Offer Price is fixed below or above the mid-point of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to open new restaurants. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK\$674 million (assuming an Offer Price of HK\$1.93 per Share, the mid-point of our indicative Offer Price range).

To the extent that the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

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HONG KONG UNDERWRITERS

Joint Lead Managers

Merrill Lynch Far East Limited
Standard Chartered Securities (Hong Kong) Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 33,500,000 Hong Kong Public Offer Shares (subject to adjustment and Over-allotment Option) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Hong Kong Underwriting Agreement (including the Joint Bookrunners, on behalf of the Underwriters, and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Hong Kong Public Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Purchase Agreement having been signed and becoming unconditional.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (a) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Purchase Agreement by any of the Company, the Controlling Shareholders, Ms. Wu Wen, an executive Director of our Company, and Mr. Kang Jie, an executive Director and the chief executive officer of our Company (collectively the “Warrantors”, each a “Warrantor”), or (ii) any of the representations, warranties and undertakings given by any of the Warrantors in the Hong Kong Underwriting Agreement or the International Purchase Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading in any respect; or
- (b) any statement contained in the web proof information pack posted on the website of Hong Kong Exchanges and Clearing Limited, this prospectus, the Application Forms or the formal notice or any announcement in the agreed form issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms or the formal notice are not, in all material respects, fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

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- (c) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the indemnities given by them under the Hong Kong Underwriting Agreement or the International Purchase Agreement, as applicable; or
- (d) any breach of any of the obligations of any of the Warrantors under the Hong Kong Underwriting Agreement or the International Purchase Agreement, as applicable; or
- (e) any of the Reporting Accountants, our property valuer, Euromonitor International, or any of the legal counsels of the Company and other experts which are required to provide expert consent has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (f) approval in principle from the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares, including any additional Shares issued pursuant to the exercise of the Over-allotment Option, the Shares in issue and any Shares which may be issued upon the Capitalization Issue or the exercise of options granted pursuant to the Share Option Scheme and the Pre-IPO Share Option Schemes, is refused or not granted, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (g) the Company withdraws any of this prospectus, the Application Forms, the preliminary offering circular or the offering circular or the Global Offering; or
- (h) the Stock Borrowing Agreement is not duly authorized, executed and delivered by the stock lender or it is terminated; or
- (i) any potential litigation, legal proceeding, legal action, claim or disputes being threatened or instigated which would materially affect the operation, financial condition or reputation of the Company; or
- (j) any material adverse change or prospective material adverse change in the business, results of operations, assets, liabilities, conditions, business affairs, profits, losses, the financial or trading position or prospects or performance or management of the Company and its subsidiaries taken as a whole; or
- (k) there will have developed, occurred, happened or come into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development, concerning or relating to:
 - (i) any local, national, regional or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies)

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in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other jurisdiction the Joint Bookrunners consider relevant (each a “Relevant Jurisdiction”); or

- (ii) any new law or regulation or any change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other Relevant Jurisdiction; or
- (iii) any change or development in the condition of the financial markets in any Relevant Jurisdiction or generally in the international equity securities or other financial markets; or
- (iv) (A) any event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes or lockouts (whether or not covered by insurance), riots, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease or epidemics, including, but not limited to, Severe Acute Respiratory Syndrome (“SARS”) and H1N1 or swine or avian influenza or such related/mutated forms of accident or interruption or delay in transportation), or (B) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or calamity or crisis, in the case of either (A) or (B), affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other Relevant Jurisdiction; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market, the Tokyo Stock Exchange, the London Stock Exchange or any PRC stock markets or (B) a general moratorium on commercial banking activities in Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other Relevant Jurisdiction, declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other Relevant Jurisdiction; or
- (vi) any change or prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations in Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, Japan, the European Union (or any member thereof) or any other Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (vii) any litigation or claim being threatened or instigated against any member of the Group or any Director, any of the chairman or chief executive officer of the Company vacating his office, any executive Director being charged with an indictable

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offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action; or

- (viii) any contravention by any member of the Group of the Companies Ordinance, the Companies Law, any of the Listing Rules or any applicable law or regulation; or
- (ix) a prohibition on the Company for whatever reason from allotting or selling the Offer Shares (including the additional Shares that may be allotted and issued by the Company upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (x) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (xi) the issue or requirement to issue by the Company of a supplementary prospectus, Application Form, preliminary offering circular or offering circular pursuant to the Companies Ordinance or the Listing Rules; or
- (xii) any change or prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xiii) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or
- (xiv) any matter that has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom;

and which, with respect to any of sub-paragraphs (i) through (xv) above, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is, will be or may be materially adverse to the general affairs, management, business or financial or trading position or prospects of the Company or the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such; or

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- (B) has, will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or make it impracticable, inadvisable or inexpedient for any material part of the Hong Kong Underwriting Agreement, the International Purchase Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (C) makes or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or
- (D) would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by the Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Company's Controlling Shareholders immediately before the completion of the Global Offering, has undertaken to the Stock Exchange that except pursuant to the Global Offering, she/it will not, and will procure that any other registered holder (if any) of our Shares in which she/it has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of her/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange ("First Six-month Period"), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares in respect of which she/it is shown in this prospectus to be the beneficial owner; and

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- (b) in the six-month period commencing from the expiry of the First Six-month Period (“Second Six-month Period”) dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares referred to in paragraph (a) above, and to such extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, she/it would then cease to be a controlling shareholder of the Company.

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/she will:

- (a) when it/she pledges or charges any Shares or other securities of our Company beneficially owned by it/her in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) when it/she receives any indications, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

LOCK-UP UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by the Company

We have undertaken to each of the Sole Global Coordinator, Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue and the exercise of any of the options granted or to be granted under the Pre-IPO Share Option Schemes and/or the Share Option Scheme, we will not, without the prior written consent of the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-Month Period,

- (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend, mortgage, assign or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or other securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or

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- (b) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities, or
- (c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above, or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in sub-paragraph (a), (b) or (c) above,

whether any of the foregoing transactions described in sub-paragraphs (a) to (d) is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that the Company will or may enter into any transaction described above, provided that the foregoing restrictions shall not apply to the issue of Shares by the Company pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalization Issue and the exercise of any of the options granted or to be granted under the Share Option Scheme and/or the Pre-IPO Share Option Schemes, and the Company further agrees that, in the event of an issue or disposal of any Shares or any interest therein during the First Six-Month Period, it will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for the Shares.

Undertaking by the Controlling Shareholders

Each of the Company's Controlling Shareholders, pursuant to the Hong Kong Underwriting Agreement, has agreed and undertaken to the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Sponsors and the Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement, none of the Controlling Shareholders will, without the prior written consent of the Joint Bookrunners and subject to requirements set out in the Listing Rules,

- (a) at any time from the date of the Hong Kong Underwriting Agreement up to and including the expiry date of the First Six-month Period:
 - (i) offer, accept subscription for, pledge, mortgage, charge, allot, issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, mortgage, assign, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by the Controlling Shareholders (including holding as a custodian) or with respect to which any of the Controlling Shareholders has beneficial ownership (collectively the "Lock-up Shares") (the foregoing restriction is expressly agreed to preclude the Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

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- (ii) enter into any swap, derivative, repurchase or mortgage or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein; or
 - (iii) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (i) or (ii) above; or
 - (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in sub-paragraph (i) or (ii) or (iii) above, whether any such transaction described in sub-paragraph (i) or (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.
- (b) at any time during the Second Six-month Period, the Controlling Shareholders will not enter into any of the foregoing transactions in paragraphs (a)(i), (a)(ii) or (a)(iii) above or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company; and
- (c) until the expiry of the Second Six-month Period, in the event that any of the Controlling Shareholders enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

LOCK-UP UNDERTAKINGS BY THE PRE-IPO INVESTORS

Conditional upon listing of the Shares of the Company on the Stock Exchange on or prior to September 28, 2011 (or such other date as may be agreed between the Company and the Underwriters), each of the Pre-IPO Investors has undertaken to the Sole Global Coordinator, Joint Bookrunners (for themselves and on behalf of each of the Underwriters), the Joint Sponsors and the Company that it will not, without the prior written consent of the Joint Bookrunners, at any time during the First Six-month Period:

- (a) offer, accept subscription for, pledge, mortgage, charge, allot, issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, mortgage, assign, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of the Company or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein whether now owned or hereinafter acquired, owned directly by the Pre-IPO Investors (including holding as a custodian) or with respect to which any of the Pre-IPO Investors has beneficial ownership (collectively, the “Pre-IPO Investors’ Lock-up Shares”) (the foregoing restriction is expressly agreed to preclude the Pre-IPO Investors from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the

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Pre-IPO Investors' Lock-up Shares even if such Shares would be disposed of by someone other than the Pre-IPO Investors, respectively. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Pre-IPO Investors' Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares);

- (b) enter into any swap, derivative, repurchase or mortgage or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any such capital or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

Notwithstanding the foregoing, each of the Pre-IPO Investors may transfer the Pre-IPO Investors' Lock-up Shares with the prior written consent of the Joint Bookrunners. In addition, notwithstanding the foregoing, each of the Pre-IPO Investors may transfer without the written consent of the Joint Bookrunners the share capital of the Company to any wholly-owned subsidiary of such Pre-IPO Investor, provided however, that in any such case, it shall be a condition to the transfer that the transferee execute an agreement stating that the transferee is receiving and holding such capital stock subject to the provisions of the Pre-IPO Investors' Lock-up Agreement and there shall be no further transfer of such capital stock except in accordance with such agreement, and provided further that any such transfer shall not involve a disposition for value. Each of the Pre-IPO Investors now has, and, except as contemplated above, for the duration of the First Six-Month Period will have, good and marketable title to the respective Pre-IPO Investors' Lock-up Shares, free and clear of all liens, encumbrances, and claims whatsoever. Each of the Pre-IPO Investors also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the Pre-IPO Investors' Lock-up Shares except in compliance with the foregoing restrictions.

INTERNATIONAL OFFERING

In connection with the International Offering, the Company expects to enter into the International Purchase Agreement with, among others, the International Purchasers and other parties named therein. Under the International Purchase Agreement, the International Purchasers will, subject to certain conditions, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for such International Offer Shares. It is expected that pursuant to the International Purchase Agreement, our Company and the Controlling Shareholders will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement in the section headed "— Lock-up Undertakings Pursuant to the Hong Kong Underwriting Agreement".

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The Company will grant to the International Purchasers the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Purchasers), after consultation with Standard Chartered, at any time from the day on which trading of our Shares commences on the Stock Exchange until 30 days after the last day for lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 50,250,000 Shares at the Offer Price, in connection with over-allocations in the International Offering.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Purchasers and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering. Our Company may also at its sole discretion to pay either or all of the Joint Bookrunners an additional incentive fee of up to 0.5% of the gross aggregate sale proceeds of the Offer Shares under the Global Offering.

The aggregate commissions and fees (exclusive of any discretionary incentive fees), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$65.8 million in total (based on the mid-point of our indicative price range for the Global Offering).

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

STAMP TAXES

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

INDEMNITY

Our Company and the Controlling Shareholders have agreed to severally indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us or the Controlling Shareholders of the Hong Kong Underwriting Agreement as the case may be.

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SPONSOR'S INDEPENDENCE

The independence of the Joint Sponsors is set out as follows:

- Merrill Lynch Far East satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.
- As set forth under the section headed “Future Plans and Use of Proceeds — Use of Proceeds” of this prospectus, more than 15% of the net proceeds will be used to repay the bank loans we received under Standard Chartered Onshore Facilities and Standard Chartered Offshore Facility, respectively. Please refer to “Financial Information — Indebtedness — Bank Borrowings” for further details. As a result, Standard Chartered does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Merrill Lynch Far East, its affiliates or any person acting for it, as the Stabilizing Manager, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such market purchases of Offer Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571 of the Laws of Hong Kong) includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell Offer Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for Shares pursuant to the Over-allotment Option (exercisable by the Sole Global Coordinator on behalf of the International Purchasers and after consultation with Standard Chartered) in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price, (v) selling Offer Shares to liquidate a long position held as a result of those purchases and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 50,250,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

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Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of our Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. Investors should be warned that, in the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on October 20, 2011. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period.

Any stabilizing action taken by the Stabilizing Manager, or any person acting for them, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Stabilizing bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 50,250,000 additional Shares and cover such over-allocations by making purchases in the secondary market at prices that do not exceed the Offer Price, or through stock borrowing arrangements, or acquiring Shares from other sources, including the exercise of the Over-allotment Option by the Sole Global Coordinator (on behalf of the International Purchasers) after consultation with Standard Chartered, or a combination of these means.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of initially 33,500,000 Shares (subject to re-allocation as mentioned below) in Hong Kong as described below in the section headed “— The Hong Kong Public Offering”; and
- the International Offering of initially 301,500,000 (subject to re-allocation and the Over-allotment Option as mentioned below) in the United States with QIBs in reliance on Rule 144A or another exemption under the U.S. Securities Act, and outside the United States in reliance on Regulation S.

Investors may apply for our Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Prospective investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. The number of Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to re-allocation as described in the section headed “— The Hong Kong Public Offering” in this prospectus.

The 335,000,000 Offer Shares in the Global Offering will represent approximately 25% of our enlarged share capital immediately after the completion of the Global Offering.

Allocation of the International Offer Shares to investors under the International Offering will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Offer Shares after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our Shareholders as a whole.

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Although we may, if necessary, allocate the Hong Kong Public Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

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In connection with the Global Offering, the Company intends to grant the Over-allotment Option to the International Purchasers, exercisable by the Sole Global Coordinator (on behalf of the International Purchasers) after consultation with Standard Chartered. The Over-allotment Option will give the Sole Global Coordinator the right, exercisable at any time from the day on which trading of the Shares commences on the Stock Exchange until 30 days after the last day for lodging of applications under the Hong Kong Public Offering, to sell up to an aggregate of 50,250,000 additional Shares, representing in aggregate 15% of the initial size of the Global Offering at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. The Stabilizing Manager may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, we will make an announcement.

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 50,250,000 Shares pursuant to the Stock Borrowing Agreement (being the maximum number of Shares which may be sold upon exercise of the Over-allotment Option), or acquire Shares from other sources, including the exercising the Over-allotment Option.

If the Stock Borrowing Agreement is entered into, it will only be effected by the Stabilizing Manager or its agent for settlement of over-allocation in the International Offering. The same number of Shares so borrowed must be returned to Value Boost or its nominees on or before the third business day following the earlier of (i) the last day on which Shares may be issued and allotted by the Company pursuant to the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full. The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Value Boost by the Stabilizing Manager or its agent in relation to such stock.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, subject to agreement on the Offer Price to be determined between the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and us under the Price Determination Agreement on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Purchasers. The Hong Kong Public Offering and the International Offering are subject to the conditions described in the section headed “Underwriting — Commission and Expenses” in this prospectus. In particular, we and the Joint Bookrunners, on behalf of the Underwriters, must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was subject to an agreement on the Offer Price between the Joint Bookrunners, on behalf of the Hong Kong Underwriters, and us for purposes of the Hong Kong Public Offering. The International Purchase Agreement (including the agreement on the Offer Price between us and the Joint Bookrunners, on behalf of the International Purchasers for purposes of the International Offering) is expected to be entered into on the Price Determination Date, which is expected to be on September 21, 2011. The Hong Kong Underwriting Agreement and the International Purchase Agreement are inter-conditional upon each other.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$2.20 and is expected to be not less than HK\$1.65, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

the Hong Kong Public Offering, you must pay the maximum Offer Price of HK\$2.20 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. This means that, for one board lot of 2,000 Offer Shares, you should pay HK\$4,444.35 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$1.65, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. Please refer to the section headed “How to Apply for the Hong Kong Public Offer Shares” in this prospectus for further details.

DETERMINATION OF THE OFFER PRICE

We expect the Offer Price to be fixed by agreement among us and the Joint Bookrunners, on behalf of the Underwriters, on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around September 21, 2011 and in any event, no later than September 26, 2011. The Offer Price will not be more than HK\$2.20 per Offer Share and is expected to be not less than HK\$1.65 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

The Joint Bookrunners, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with our consents, reduce the number of Offer Shares and/or the indicative offer price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative offer price range.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon among the Joint Bookrunners, on behalf of the Underwriters, and us, will be fixed within such revised offer price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed “Financial Information — Liquidity and Capital Resources” in this prospectus, the offering statistics as currently disclosed in the section headed “Summary” in this prospectus, the use of proceeds in the section headed “Future Plans and Use of Proceeds” in this prospectus and any other financial information which may change as a result of such reduction.

If you have already submitted an application for Hong Kong Public Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will be allowed to subsequently withdraw your application, if the number of Offer Shares and/or the offer price range is reduced. If we do not publish a notice in the South China Morning Post (in English) or the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative offer price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us, will be within the offer price range as stated in this prospectus.

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If we are unable to reach an agreement with the Joint Bookrunners, on behalf of the Underwriters, on the Offer Price by September 26, 2011, the Global Offering will not proceed and will lapse. We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the application results and basis of allotment of the Hong Kong Public Offer Shares on September 27, 2011.

Conditions of the Global Offering

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting the listing of and permission to deal in the Shares in issue and to be issued as described in this prospectus, and such listing and permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Purchase Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Bookrunners, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day after such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms described in the sections headed “How to Apply for the Hong Kong Public Offer Shares — Results of Allocations; Refund of Application Monies; Dispatch/Collection of Share Certificates and Refund Monies” in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to dispatch share certificates for the Offer Shares on September 27, 2011. However, these share certificates will only become valid certificates of title on 8:00 a.m. on September 28, 2011 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting” in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the subsection headed “— Determination of the Offer Price — Conditions of the Global Offering” above) for the subscription in Hong Kong of, initially, 33,500,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering described below, the Hong Kong Public Offer Shares will represent 2.51% of our enlarged issued share capital immediately after completion of the Global Offering (assuming no exercise of the Over-allotment Option).

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate subscription price of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this sub-section only, the “subscription price” for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of the 33,500,000 Offer Shares initially included in the Hong Kong Public Offering (that is, 16,750,000 Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments in the event of over-subscription under the Hong Kong Public Offering:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then International Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering will be 100,500,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of International Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering will be 134,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of International Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering will be 167,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

The number of the Offer Shares to be initially offered for sale under the International Offering will be 301,500,000 Offer Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering and 22.58% of our enlarged issued share capital immediately after completion of the Global Offering.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on our behalf by the International Purchasers or through selling agents appointed by them. International Offer Shares will be placed with QIBs in the United States in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act, as well as with professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Joint Bookrunners, on behalf of the Underwriters, may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Public Offer Shares under the Hong Kong Public Offering.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

WHO CAN APPLY FOR HONG KONG PUBLIC OFFER SHARES

You can apply for the Hong Kong Public Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Public Offer Shares by means of **White Form eIPO**, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Joint Bookrunners (or its respective agents or nominees) may accept it at its discretion, and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Bookrunners, or the designated White Form eIPO Service Provider (where applicable) or our respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

CHANNELS TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

You may apply for the Hong Kong Public Offer Shares by using one of the following channels:

- using a **WHITE** or **YELLOW** Application Form; or
- apply online through the designated website of the White Form eIPO Service Provider, referred to in this prospectus as the "**White Form eIPO** service"; or
- electronically instructing HKSCC to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** service or by giving electronic application instructions to HKSCC.

WHICH APPLICATION CHANNEL YOU SHOULD USE

- Use a **WHITE** Application Form if you want the Hong Kong Public Offer Shares to be registered in your own name.
- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Public Offer Shares by means of **White Form eIPO** service by submitting applications online through the designated website at www.eipo.com.hk. Use **White Form eIPO** service if you want the Hong Kong Public Offer Shares to be registered in your own name.
- Use a **YELLOW** Application Form if you want the Hong Kong Public Offer Shares to be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.
- Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for the Hong Kong Public Offer Shares on your behalf via CCASS. Any Hong Kong Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

WHERE TO COLLECT THE APPLICATION FORMS

- (a) You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 15, 2011 until 12:00 noon on Tuesday, September 20, 2011 from:

any of the following addresses of the Hong Kong Underwriters:

Merrill Lynch Far East Limited	15/F Citibank Tower 3 Garden Road, Central Hong Kong
Standard Chartered Securities (Hong Kong) Limited	15/F Two International Finance Centre 8 Finance Street Central, Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

or any of the following branches of the receiving bankers for the Hong Kong Public Offering:

(i) **Standard Chartered Bank (Hong Kong) Limited**

Branch Name	Address
Hong Kong Island . . . Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
North Point Centre Branch	North Point Centre, 284 King's Road, North Point
Causeway Bay Branch	G/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
Kowloon Kwun Tong Branch	1A Yue Man Square, Kwun Tong
Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
New Territories. Shatin Centre Branch	Shop 32C, Level 3, Shatin Shopping Arcade, Shatin Centre, 2-16 Wang Pok Street, Shatin
Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
Yuen Long Branch	140, Yuen Long Main Road, Yuen Long
Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(ii) **Bank of Communications Co., Ltd. Hong Kong Branch**

	Branch Name	Address
Hong Kong Island . . .	Chaiwan Sub-Branch	G/F., 121-121A Wan Tsui Road, Chaiwan
	Central District Sub-Branch	G/F., Far East Consortium Building, 125A Des Voeux Road C., Central
Kowloon	Jordan Road Sub-Branch	1/F., Booman Building, 37U Jordan Road
	Cheung Sha Wan Plaza Sub-Branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
New Territories.	Sha Tsui Road Sub-Branch	122-124 Sha Tsui Road, Tsuen Wan
	Fanling Sub-Branch	Shop No.84A-84B, G/F., Flora Plaza, Fanling

(b) You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 15, 2011 to 12:00 noon on Tuesday, September 20, 2011 from:

- the depository counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker, who may have such Application Forms and this prospectus available.

WHEN TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, September 20, 2011, or, if the application lists are not open on that day, by the time and date stated in “— Effect of bad weather conditions on the opening of the application lists” below.

Your completed **WHITE** or **YELLOW** Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of the banks listed in “— Where to Collect the Application Forms” above, at the following times:

- Thursday, September 15, 2011 — 9:00 a.m. to 5:00 p.m.**
- Friday, September 16, 2011 — 9:00 a.m. to 5:00 p.m.**
- Saturday, September 17, 2011 — 9:00 a.m. to 1:00 p.m.**
- Monday, September 19, 2011 — 9:00 a.m. to 5:00 p.m.**
- Tuesday, September 20, 2011 — 9:00 a.m. to 12:00 noon**

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Electronic application instructions to HKSCC

CCASS Clearing/Custodian Participants should input electronic application instructions via CCASS at the following times:

Thursday, September 15, 2011 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, September 16, 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, September 17, 2011 — 8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, September 19, 2011 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, September 20, 2011 — 8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, September 15, 2011 until 12:00 noon on Tuesday, September 20, 2011 (24 hours daily, except the last application day). The latest time for inputting your electronic application instructions via CCASS (if you are a CCASS Participant) is 12:00 noon on Tuesday, September 20, 2011 or if the application lists are not open on that day, by the time and date stated in “— Effect of bad weather conditions on the opening of the application lists” below.

White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Thursday, September 15, 2011 until 11:30 a.m. on Tuesday, September 20, 2011 or such later time as described in “— Effect of bad weather conditions on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, September 20, 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in “— Effect of bad weather conditions on the opening of the application lists” below.

You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Application lists

The application lists will be opened from 11:45 a.m. to 12:00 noon on Tuesday, September 20, 2011, except as provided in “— Effect of bad weather conditions on the opening of the application lists” below. No proceedings will be taken on applications for the Hong Kong Public Offer Shares and no allocation of any such Shares will be made earlier than Tuesday, September 20, 2011.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Effect of bad weather conditions on the opening of the application lists

The application lists will be opened between 11:45 a.m. and 12:00 noon on Tuesday, September 20, 2011, subject only to weather conditions. If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 20, 2011, the application lists will not open or close on that day. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not fall within the above circumstances at any time between 9:00 a.m. and 12:00 noon in Hong Kong.

HOW TO APPLY USING A WHITE OR YELLOW APPLICATION FORM

Obtain a WHITE or YELLOW Application Form

You should read the instructions in this prospectus and the relevant Application Form carefully. If you do not follow the instructions, your application is liable to be rejected and returned by ordinary post together with the accompanying cheque(s) or banker’s cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk to the address stated on your Application Form.

Decide how many Hong Kong Public Offer Shares you want to subscribe. Calculate the amount you must pay on the basis of the maximum Offer Price as stated in the Application Forms, plus brokerage fee of 1%, the SFC transaction levy of 0.003% and the Stock Exchange trading fee of 0.005%. The Application Forms have tables showing the exact amount payable for certain numbers of shares up to 16,750,000 Shares (as indicated on the **WHITE** and **YELLOW** Application Forms). Your application must be for a minimum of 2,000 Shares. Application for more than 2,000 Shares must be in one of the number of Shares set out in the table in the respective Application Forms. No application for any other number of Shares will be considered and any such application is liable to be rejected.

Complete the Application Form in English (save as otherwise indicated) and sign it. Only written signatures will be accepted. Applications made by corporations, whether on their own behalf, or on behalf of other persons, must be stamped with the company chop (bearing the company name) and signed by a duly authorized officer, whose representative capacity must be stated. If you are applying for the benefit of someone else, you, rather than that person, must sign the Application Form. If it is a joint application, all applicants must sign it. If your application is made through a duly authorized attorney, our Company and the Joint Bookrunners (or their respective agents or nominees), may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of your attorney.

Each Application Form must be accompanied by either one cheque or one banker’s cashier order.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- show your account name, which must either be pre-printed on the cheque, or be endorsed on the back by a person authorized by the bank. This account name must be the same as the name on the Application Form. If it is a joint application, the account name must be the same as the name of the firstnamed applicant;
- be made payable to “Horsford Nominees Limited — Xiao Nan Guo Restaurants Public Offer”; and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your cheque does not meet all these requirements or is dishonored on its first presentation.

If you pay by banker’s cashier order, the banker’s cashier order must:

- be issued by a licensed bank in Hong Kong and have your name certified on the back by a person authorized by the bank. The name on the back of the banker’s cashier order and the name on the Application Form must be the same. If it is a joint application, the name on the back of the banker’s cashier order must be the same as the name of the first-named joint applicant;
- be in Hong Kong dollars;
- not be post-dated;
- be made payable to “Horsford Nominees Limited — Xiao Nan Guo Restaurants Public Offer”; and
- be crossed “Account Payee Only”.

Your application is liable to be rejected if your banker’s cashier order does not meet all these requirements.

Lodge your Application Form in one of the collection boxes by the time and at one of the locations, as respectively referred to above. Multiple or suspected multiple applications are liable to be rejected. Please refer to “— How Many Applications You Can Make” below.

You should note that by signing the Application Form, among other things:

- (i) you confirm that you have only relied on the information and representations in this prospectus in making your application and not on any other information or representation concerning us and you agree that neither we, the Joint Bookrunners, the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- (ii) you agree that the Company, the Joint Bookrunners, the Underwriters, and any of their respective directors, officers, employers, partners, agents or advisers are liable only for the information and representations contained in this prospectus and any supplement thereto;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (iii) you undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up or indicated an interest in or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares, nor otherwise participate in the International Offering; and
- (iv) you agree to disclose to us, the Hong Kong Share Registrar, the receiving bankers, advisers, agents, the Joint Bookrunners and their respective agents the personal data and any information which they require about you or the person(s) for whose benefit you have made this application.

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the application form. Only written signatures will be accepted.

- If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its CCASS Participant I.D. in the appropriate box.
- If you are applying as an individual CCASS Investor Participant:
 - you must fill in your name and your Hong Kong identity card number; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a joint individual CCASS Investor Participant:
 - you must insert all joint CCASS Investor Participants' names and the Hong Kong identity card numbers of all the joint CCASS Investor Participants; and
 - you must insert your CCASS Participant I.D. in the appropriate box.
- If you are applying as a corporate CCASS Investor Participant:
 - you must insert your company name and your company's Hong Kong business registration number; and
 - you must fill in your CCASS Participant I.D. and stamp your company chop (bearing your company name) in the appropriate box.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

If your application is made through a duly authorized attorney, we and the Joint Bookrunners, as our agent, may accept it at their discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We and the Joint Bookrunners, in the capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked “For nominees” an identification number for each beneficial owner.

Personal Data

The section of the Application Form headed “Personal data” applies to any personal data held by the Joint Bookrunners, the Company, the Hong Kong Share Registrar, the receiving bankers, advisers, and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

APPLY THROUGH WHITE FORM eIPO

- (i) If you are an individual and meet the criteria set out in “— Who Can Apply for Hong Kong Public Offer Shares” above, you may apply through **White Form eIPO** service by submitting an application through the designated website at www.eipo.com.hk. If you apply through **White Form eIPO** service, the Hong Kong Public Offer Shares will be issued in your own name.
- (ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to the Company.
- (iii) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (iv) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (v) You may submit an application through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (vi) You should give electronic application instructions through **White Form eIPO** service at the times set out in “— When to apply for the Hong Kong Public Offer Shares — White Form eIPO” above. You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

website at www.eipo.com.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on September 20, 2011, or such later time as described in “— When to Apply for the Hong Kong Public Offer Shares — Effect of bad weather conditions on the opening of the application lists” above, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.

(vii) Once you have completed payment in respect of any electronic application instruction given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for the Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(viii) Warning: The application for Hong Kong Public Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, our Directors, the Joint Bookrunners, and the White Form eIPO Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Public Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Xiao Nan Guo Restaurants Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. See “— How Many Applications You Can Make” below.

Additional Information

For the purposes of allocating the Hong Kong Public Offer Shares, each applicant giving electronic application instructions through the **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at www.eipo.com.hk.

HOW TO APPLY BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

CCASS Participants may give electronic application instructions via CCASS to HKSCC to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling 2979 7888 or CCASS Internet System (<https://ip.ccass.com>) (according to the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you come to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application whether submitted by you or through your CCASS Clearing Participant or CCASS Custodian Participant to our Company and the Hong Kong Share Registrar.

Minimum Subscription Amount and Permitted Numbers

You may give electronic application instructions in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Application for Hong Kong Public Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Hong Kong Public Offer Shares:

- (i) HKSCC Nominees is only acting as nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does all the things on behalf of each of such persons who:
 - agrees that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf or that person's CCASS Investor Participant stock account;
 - undertakes and agrees to accept the Hong Kong Public Offer Shares in respect of which that person has given electronic application instructions or any lesser number;
 - undertakes and confirms that that person has not indicated an interest for, applied for or taken up any Shares under the International Offering;
 - (if the electronic application instructions are given for that person's own benefit) declares that only one set of electronic application instructions has been given for that person's benefit;
 - (if that person is an agent for another person) declares that that person has only given one set of electronic application instructions for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
 - understands that the above declaration will be relied upon by our Company, the Directors and the Joint Bookrunners in deciding whether or not to make any allotment of the Hong Kong Public Offer Shares in respect of the electronic application instructions given by that person and that that person may be prosecuted if he makes a false declaration;
 - authorizes the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Hong Kong Public Offer Shares allotted in respect of that person's electronic application instructions and to send Share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;
 - confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- confirms that that person has only relied on the information and representations in this prospectus in giving that person's electronic application instructions or instructing that person's broker or custodian to give electronic application instructions on that person's behalf and will not rely on any other information and representations and that person agrees that neither our Company, the Joint Bookrunners, the Underwriters or any other parties involved in the Global Offering will have any liability for any such other information or representations;
- agrees that our Company, the Joint Bookrunners, the Underwriters and any of their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus and any supplement thereto;
- agrees to disclose that person's personal data to our Company and the Hong Kong Share Registrar, the receiving bankers, advisers, agents and the Joint Bookrunners and their respective agents, the personal data and any information which they require about that person or the person(s) for whose benefit the application is made;
- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before September 27, 2011, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any public offer shares to any person before October 17, 2011 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;
- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Hong Kong Public Offer Shares; and
- agrees that such person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum offer price, brokerage, the SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Offer Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and the Stock Exchange trading fee, by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Allocation of Hong Kong Public Offer Shares

For the purpose of allocating the Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instruction is given shall be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or your CCASS Investor Participant stock account on Tuesday, September 27, 2011 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) in the manner as described in the section headed “— Results of Allocations” on Tuesday, September 27, 2011.

The basis of allotment of the Hong Kong Public Offering will be published on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Tuesday, September 27, 2011. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 27, 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, September 27, 2011. Immediately after the credit of the Hong Kong Public Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, September 27, 2011. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

Application for the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Joint Bookrunners, the Underwriters and any parties involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Public Offer Shares.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input instructions. If CCASS Investor Participants have problems in connecting to the CCASS Phone System or CCASS Internet System to submit electronic application instructions, they should either:

- (i) submit the **WHITE** or **YELLOW** Application Form or electronic application instructions to the White Form eIPO Service Provider (as appropriate); or
- (ii) go to HKSCC's Customer Service Centre to complete an application instruction input request form for electronic application instructions before 12:00 noon on Tuesday, September 20, 2011 or such later time as described in "— Effect of bad weather conditions on the opening of the Application Lists" above.

HOW MANY APPLICATIONS YOU CAN MAKE

- (i) You may make more than one application for the Hong Kong Public Offer Shares only if you are a nominee, in which case you may make an application as a nominee by: (i) giving electronic application instructions to HKSCC (if you are a CCASS Participant); and (ii) lodging more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:
 - an account number; or
 - another identification number for each beneficial owner. If you do not include this information, the application will be treated as being for your benefit.

Otherwise, multiple applications are not allowed. It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; or to the White Form eIPO Service Provider through the **White Form eIPO** service; or
 - (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider through the **White Form eIPO** service, and that you are duly authorized to sign the Application Form as that other person's agent.
- (ii) All of your applications under the Hong Kong Public Offering are liable to be rejected as multiple applications if you, or you and your joint applicant(s) together:
 - make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC via CCASS or to the designated White Form eIPO Service Provider through the **White Form eIPO** service (www.eipo.com.hk);

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give electronic application instructions to HKSCC or to the designated White Form eIPO Service Provider through the **White Form eIPO** service (www.eipo.com.hk);
 - apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly with others) or by giving electronic application instructions to HKSCC via CCASS or to the White Form eIPO Service Provider through the **White Form eIPO** service (www.eipo.com.hk) to apply for more than 16,750,000 Hong Kong Public Offer Shares (being 50% of the Hong Kong Public Offer Shares initially being offered for subscription by the public); or
 - apply for or take up any Offer Shares under the International Offering or otherwise participate in the International Offering or indicate an interest for any International Offer Shares.
- (iii) All of your applications are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and: (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit. Unlisted company means a company with no equity securities listed on the Stock Exchange. Statutory control in relation to a company means you: (i) control the composition of the board of Directors of that company; or (ii) control more than half of the voting power of that company; or (iii) hold more than one-half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

RESULTS OF ALLOCATIONS

The results of allocations of the Hong Kong Public Offer Shares under the Hong Kong Public Offering, including applications made under **WHITE** and **YELLOW** Application Forms and by giving electronic application instructions to HKSCC or the designated White Form eIPO Service Provider which will include the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants and the number of the Hong Kong Public Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- Results of allocations will be available from the Stock Exchange's website at www.hkexnews.hk;
- Results of allocations will also be available from our website at www.xiaonanguo.com and our results of allocations website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Tuesday, September 27, 2011 to 12:00 midnight on Monday, October 3, 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Public Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, September 27, 2011 to Friday, September 30, 2011;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Tuesday, September 27, 2011 to Thursday, September 29, 2011 at all the receiving bankers' branches and sub-branches at the addresses set out in “— Where to Collect the Application Forms”.

PRICE OF THE OFFER SHARES

The maximum Offer Price is set out in the Application Forms. You must also pay a brokerage of 1% Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. The Application Forms have tables showing the exact amount payable for certain numbers of Shares up to 16,750,000 Shares. Your application must be for a minimum of 2,000 Shares. Applications must be in one of the numbers set out in the table. No application for any other number of Shares will be considered and any such application is liable to be rejected.

You must pay the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in full when you apply for the Shares. You must pay the amount payable upon application for Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form if you apply for the Hong Kong Public Offer Shares using Application Forms.

If your application is successful, brokerage is paid to the participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, such levy is collected on behalf of the SFC).

If the Offer Price, as finally determined, is lower than the maximum Offer Price, the Company will refund the specific difference, including the brokerage, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. The Company will not pay interest on any refunded amounts. Further details for refund are set out in “— Dispatch/Collection of Share Certificates and Refund Monies” below.

DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (i) for applicants on **WHITE** Application Forms or by **White Form eIPO** service, (A) Share certificate(s) for all the Hong Kong Public Offer Shares applied for, if the application is wholly successful; or (B) Share certificate(s) for the number of Hong Kong Public Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose Share certificates will be deposited into CCASS as described below);
- (ii) for applicants on **WHITE** and **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (A) the surplus application monies for the Hong Kong Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (B) all the application monies, if the application is wholly unsuccessful; and/or (C) the

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difference between the Offer Price and the initial price per Offer Share paid on application in the event that the Offer Price is less than the initial price per Offer Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% but without interest;

- (iii) for applicants who apply through **White Form eIPO** service by paying the application monies through a single bank account and whose application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on the application, e-Refund payment instructions (if any) will be dispatched to the application payment account; and
- (iv) for applicants who apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and whose application is wholly or partially unsuccessful and/or the Final Offer Price being different from the Offer Price initially paid on the application, refund cheques will be sent to the address as specified on the **White Form eIPO** application by ordinary post and at the applicant's own risk.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications under the **WHITE** or **YELLOW** Application Forms and Share certificates for successful applicants under the **WHITE** Application Form or to the White Form eIPO Service Provider via **White Form eIPO** service are expected to be posted on Tuesday, September 27, 2011. The right is reserved to retain any Share certificates and any surplus application monies pending clearance of cheques.

(i) **If you apply using a WHITE Application Form:**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 27, 2011. If you are an individual, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your company chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. If you do not collect your refund cheque(s) and Share certificate(s) within the time period specified for collection, they will be dispatched promptly thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares or, if you apply for 1,000,000 Hong Kong Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and your Share certificates (where applicable) in person, your Share certificate(s) (where applicable) and/or refund cheque(s) (where applicable) will be dispatched to the address on your Application Form on Tuesday, September 27, 2011 by ordinary post and at your own risk.

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(ii) **If you apply using a YELLOW Application Form:**

If you apply for the Hong Kong Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, September 27, 2011, or under a contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant), for the Hong Kong Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner as described in the section headed "— Results of Allocations" on Tuesday, September 27, 2011. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 27, 2011 or such other date as will be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you have applied for 1,000,000 Hong Kong Public Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) (if any) will be sent to the address on your Application Form on the date of dispatch, which is expected to be on Tuesday, September 27, 2011, by ordinary post and at your own risk.

(iii) **If you apply through White Form eIPO service:**

If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 27, 2011, or such other date as notified by our Company in the newspapers as the date of dispatch of e-Refund payment instructions/refund cheque(s)/Share certificate(s). If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

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If you apply for less than 1,000,000 Hong Kong Public Offer Shares or, if you apply for 1,000,000 Hong Kong Public Offer Shares but have not indicated on your application that you will collect your Share certificates in person, your Share certificate(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider on Tuesday, September 27, 2011 by ordinary post and at your own risk.

If you apply through the **White Form eIPO** service by paying the application monies through a single bank account and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, e-Refund payment instructions (if any) will be dispatched to the application payment account on Tuesday, September 27, 2011.

If you apply through the **White Form eIPO** service by paying the application monies through multiple bank accounts and your application is wholly or partially unsuccessful and/or the final Offer Price being different from the Offer Price initially paid on your application, refund cheque(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider on Tuesday, September 27, 2011, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out in this section headed “— Dispatch/Collection of Share Certificates and Refund Monies — if you apply through White Form eIPO service” of this prospectus.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or through **White Form eIPO** service or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note the following situations in which the Hong Kong Public Offer Shares will not be allocated to you or your application is liable to be rejected:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving an electronic application instruction to HKSCC, you agree that your application is irrevocable until after the fifth day after the time of the opening of the application lists (which is expected to be Tuesday, September 27, 2011). This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person on or before Monday, October 17, 2011 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Tuesday, September 27, 2011 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

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If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If application(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

If your application or the application made by HKSCC Nominee on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of the Hong Kong Public Offer Shares to you or to HKSCC Nominees (if you give electronic application instruction to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists.

(iii) If you make applications under the Hong Kong Public Offering as well as the International Offering:

You or the person whose benefits you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) Shares in the International Offering. By filling in any of the Application Forms or giving electronic application instructions to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service electronically, you agree not to apply for International Offer Shares under the International Offering.

Reasonable steps will be taken to identify and reject applications under the Hong Kong Public Offering from investors who have received International Offer Shares, and to identify and reject indications of interest in the International Offering from investors who have received the Hong Kong Public Offer Shares in the Hong Kong Public Offering.

(iv) If our Company, the Joint Bookrunners or their respective agents exercise their discretion:

Our Company, the Joint Bookrunners, White Form eIPO Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without having to give any reasons for any rejection or acceptance.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(v) **Your application will be rejected or not be accepted if:**

- your application is a multiple or a suspected multiple applications;
- your Application Form is not completed correctly in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.eipo.com.hk;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for and/or received or will receive Offer Shares under the International Offering;
- we believe that by accepting your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is received or your address is located;
- if you apply for more than 100% of the Shares available for allocation in either pool A or pool B of the Hong Kong Public Offer Shares; or
- any of the Underwriting Agreements does not become unconditional or it is terminated in accordance with their respective terms thereof.

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Public Offer Shares for any of, but not limited to, the above reasons, our Company will refund your application monies, including brokerage, SFC transaction levy and Stock Exchange trading fee. No interest will be paid thereon.

If your application is accepted only in part, we will refund to you the appropriate portion of your application monies (including the related brokerage, SFC transaction levy and Stock Exchange trading fee) without interest.

If the Offer Price as finally determined is less than the initial price per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

All such interest accrued prior to the date of dispatch of refund monies will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Bookrunners, cheques for applications made on Application Forms for certain small denominations of the Hong Kong Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) is expected to be made on Tuesday, September 27, 2011 in accordance with the various arrangements as described above.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

COMMENCEMENT OF DEALINGS IN THE SHARES

- Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, September 28, 2011.
- The Shares will be traded in board lot of 2,000 each. The stock code of the Shares is 1147.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

- If the Stock Exchange grants the listing of, and permission to deal in the Shares and our Company comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.
- Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.
- All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.
- Investors should seek advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



18th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

15 September 2011

The Directors
Xiao Nan Guo Restaurants Holdings Limited
Merrill Lynch Far East Limited
Standard Chartered Securities (Hong Kong) Limited

Dear Sirs,

We set out below our report on the financial information of Xiao Nan Guo Restaurants Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), comprising the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2008, 2009, 2010 and the five months ended 31 May 2011 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2008, 2009, 2010 and 31 May 2011, the statements of financial position of the Company as at 31 December 2010 and 31 May 2011, together with the notes thereto (the “Financial Information”), and the comparative consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the five months ended 31 May 2010 (the “Interim Comparative Information”), prepared on the basis of presentation set out in Note 2 of Section II below, for inclusion in the prospectus of the Company dated 15 September 2011 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 2 February 2010. Pursuant to a group reorganisation (the “Reorganisation”) as set out in the section headed “History and Development” in the Prospectus, which was completed on 10 August 2010, the Company became the holding company of the subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the end of the Relevant Periods, the Company has direct and indirect interests in the subsidiaries as set out in note 18 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 18 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards (the “IFRSs”) issued by the International Accounting Standards Board (the “IASB”). The Underlying Financial Statements for each of the years ended 31 December 2008, 2009, 2010 and the five months ended 31 May 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 December 2010 and 31 May 2011, and the Group as at 31 December 2008, 2009, 2010 and 31 May 2011 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

The following is the Financial Information of the Group for the Relevant Periods prepared on the basis set out in Note 2 of Section II:

1. Consolidated income statements

Section II	Year ended 31 December			Five-month period ended 31 May		
	2008	2009	2010	2010	2011	
Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	
CONTINUING OPERATIONS						
REVENUE	5	592,923	658,971	872,477	334,235	413,482
Cost of inventories consumed		(223,556)	(233,671)	(297,325)	(122,101)	(139,851)
Gross profit		369,367	425,300	575,152	212,134	273,631
Other income and gains	5	8,745	10,548	23,109	5,771	6,642
Selling and distribution costs		(242,041)	(295,503)	(401,148)	(151,418)	(202,411)
Administrative expenses		(25,246)	(44,657)	(67,255)	(26,869)	(33,832)
Other expenses		(285)	(159)	(386)	(46)	(240)
Finance costs	7	(2,992)	(2,206)	(3,446)	(1,408)	(1,782)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS						
	6	107,548	93,323	126,026	38,164	42,008
Income tax expense	10	(24,317)	(21,247)	(29,940)	(9,212)	(9,999)
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS						
		83,231	72,076	96,086	28,952	32,009
DISCONTINUED OPERATION						
Profit/(loss) for the year/period from a discontinued operation	12	(389)	(349)	386	(36)	—
PROFIT FOR THE YEAR/PERIOD						
		82,842	71,727	96,472	28,916	32,009
Attributable to:						
Owners of the Company	11	82,842	71,727	96,472	28,916	32,009

Details of the dividends payable and proposed for the Relevant Periods are disclosed in Note 13 to the Financial Information.

2. Consolidated statements of comprehensive income

Section II	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PROFIT FOR THE YEAR/PERIOD	<u>82,842</u>	<u>71,727</u>	<u>96,472</u>	<u>28,916</u>	<u>32,009</u>
Exchange differences on translation of foreign operations	<u>(1,784)</u>	<u>(66)</u>	<u>(1,109)</u>	<u>(190)</u>	<u>(631)</u>
Total comprehensive income for the year/period	<u>81,058</u>	<u>71,661</u>	<u>95,363</u>	<u>28,726</u>	<u>31,378</u>
Attributable to:					
Owners of the Company	<u>81,058</u>	<u>71,661</u>	<u>95,363</u>	<u>28,726</u>	<u>31,378</u>
	11				

3. Consolidated statements of financial position

	Section II Notes	31 December			31 May
		2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000
NON-CURRENT ASSETS					
Property and equipment	15	119,027	158,487	254,321	334,804
Intangible assets	16	—	—	—	1,894
Available-for-sale investments	19	12,500	12,500	100	100
Long-term rental deposits	17	18,965	26,124	30,507	37,461
Deferred tax assets	27	7,526	13,250	16,243	21,231
Other long-term assets		1,429	1,217	1,005	917
Total non-current assets		<u>159,447</u>	<u>211,578</u>	<u>302,176</u>	<u>396,407</u>
CURRENT ASSETS					
Inventories	20	12,743	10,561	21,801	25,074
Trade receivables	21	6,560	6,682	8,233	11,167
Prepayments, deposits and other receivables	22	138,379	216,087	199,064	183,233
Cash and cash equivalents	23	76,803	80,088	92,661	76,658
		<u>234,485</u>	<u>313,418</u>	<u>321,759</u>	<u>296,132</u>
Assets of a disposal group classified as held for sale	12	8,023	8,580	—	—
Total current assets		<u>242,508</u>	<u>321,998</u>	<u>321,759</u>	<u>296,132</u>
CURRENT LIABILITIES					
Trade payables	24	41,585	45,281	52,413	77,447
Interest-bearing bank loans	26	22,048	60,000	80,000	70,000
Tax payable		12,846	10,672	13,488	11,498
Dividends payable		66,245	66,245	204,069	196,827
Other payables and accruals	25	74,807	98,606	133,681	157,032
Deferred income		—	—	1,654	2,063
		<u>217,531</u>	<u>280,804</u>	<u>485,305</u>	<u>514,867</u>
Liabilities of a disposal group classified as held for sale	12	3,604	5,574	—	—
Total current liabilities		<u>221,135</u>	<u>286,378</u>	<u>485,305</u>	<u>514,867</u>
NET CURRENT ASSETS/ (LIABILITIES)		<u>21,373</u>	<u>35,620</u>	<u>(163,546)</u>	<u>(218,735)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>180,820</u>	<u>247,198</u>	<u>138,630</u>	<u>177,672</u>
NON-CURRENT LIABILITIES					
Deferred tax liabilities	27	816	1,578	1,454	961
Long-term payables	17	10,566	12,978	17,326	23,899
Total non-current liabilities		<u>11,382</u>	<u>14,556</u>	<u>18,780</u>	<u>24,860</u>
Net assets		<u>169,438</u>	<u>232,642</u>	<u>119,850</u>	<u>152,812</u>
EQUITY					
Equity attributable to owners of the Company					
Issued capital	29	—	—	—	—
Reserves	31	169,438	232,642	119,850	152,812
Total equity		<u>169,438</u>	<u>232,642</u>	<u>119,850</u>	<u>152,812</u>

4. Consolidated statements of changes in equity

Attributable to owners of the Company											
Section II	Notes	Issued capital	Capital reserve*	Merger reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Share option reserve*	Retained earnings*	Total	Non-controlling interests	Total equity
		RMB'000 (note 29)	RMB'000 (note 31 (ii))	RMB'000 (note 31 (i))	RMB'000 (note 31 (iii))	RMB'000 (note 31 (iv))	RMB'000 (note 31 (v))	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2008		—	—	57,527	6,194	(1,709)	—	116,233	178,245	1,680	179,925
Profit for the year		—	—	—	—	—	—	82,842	82,842	—	82,842
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		—	—	—	—	(1,784)	—	—	(1,784)	—	(1,784)
Total comprehensive income for the year		—	—	—	—	(1,784)	—	82,842	81,058	—	81,058
Appropriation for reserve funds		—	—	—	2,328	—	—	(2,328)	—	—	—
Acquisition of entities under common control		—	—	(2,549)	—	—	—	—	(2,549)	—	(2,549)
Acquisition of non-controlling interests		—	(1,140)	—	—	—	—	—	(1,140)	(1,680)	(2,820)
Shares granted to a Director by the Controlling Shareholder		—	2,002	—	—	—	—	—	2,002	—	2,002
Acquisition of Hongqiao Business		—	—	(29,284)	—	—	—	—	(29,284)	—	(29,284)
Deemed distribution to the Controlling Shareholder		—	—	(15,716)	(2,118)	—	—	(35,606)	(53,440)	—	(53,440)
Distribution to the then shareholders	13	—	—	—	—	—	—	(5,454)	(5,454)	—	(5,454)
As of 31 December 2008		—	862	9,978	6,404	(3,493)	—	155,687	169,438	—	169,438
Profit for the year		—	—	—	—	—	—	71,727	71,727	—	71,727
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		—	—	—	—	(66)	—	—	(66)	—	(66)
Total comprehensive income for the year		—	—	—	—	(66)	—	71,727	71,661	—	71,661
Appropriation for reserve funds		—	—	—	2,718	—	—	(2,718)	—	—	—
Capital contribution from the Controlling Shareholders		—	—	29,500	—	—	—	—	29,500	—	29,500
Distribution to the then shareholders	13	—	—	—	—	—	—	(37,957)	(37,957)	—	(37,957)
As of 31 December 2009		—	862	39,478	9,122	(3,559)	—	186,739	232,642	—	232,642

Attributable to owners of the Company											
Section II	Notes	Issued capital	Capital reserve*	Merger reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Share option reserve*	Retained earnings*	Total	Non-controlling interests	Total equity
		RMB'000 (note 29)	RMB'000 (note 31 (ii))	RMB'000 (note 31 (i))	RMB'000 (note 31 (iii))	RMB'000 (note 31 (iv))	RMB'000 (note 31 (v))	RMB'000	RMB'000	RMB'000	RMB'000
As of 31 December 2009		—	862	39,478	9,122	(3,559)	—	186,739	232,642	—	232,642
Profit for the year		—	—	—	—	—	—	96,472	96,472	—	96,472
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		—	—	—	—	(1,109)	—	—	(1,109)	—	(1,109)
Total comprehensive income for the year		—	—	—	—	(1,109)	—	96,472	95,363	—	95,363
Appropriation for reserve funds		—	—	—	855	—	—	(855)	—	—	—
Equity-settled share option arrangements. Transfer of equity interest in a subsidiary under common control		—	—	—	—	—	1,540	—	1,540	—	1,540
Acquisition of entities under common control		—	59,312	(59,312)	—	—	—	—	—	—	—
Distribution to the then shareholders	13	—	—	(49,412)	—	—	—	—	(49,412)	—	(49,412)
As of 31 December 2010		—	60,174	(69,246)	9,977	(4,668)	1,540	122,073	119,850	—	119,850
Profit for the period.		—	—	—	—	—	—	32,009	32,009	—	32,009
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations		—	—	—	—	(631)	—	—	(631)	—	(631)
Total comprehensive income for the period		—	—	—	—	(631)	—	32,009	31,378	—	31,378
Appropriation for reserve funds		—	—	—	—	—	—	—	—	—	—
Equity-settled share option arrangements. Capital contribution from the Controlling Shareholders		—	—	—	—	—	1,584	—	1,584	—	1,584
Distribution to the then shareholders	13	—	—	—	—	—	—	—	—	—	—
As of 31 May 2011		—	60,174	(69,246)	9,977	(5,299)	3,124	154,082	152,812	—	152,812

Attributable to owners of the Company

Section II	Notes	Issued capital RMB'000 (note 29)	Capital reserve* RMB'000 (note 31 (ii))	Merger reserve* RMB'000 (note 31 (i))	Statutory surplus reserve* RMB'000 (note 31 (iii))	Exchange fluctuation reserve* RMB'000 (note 31 (iv))	Share option reserve* RMB'000 (note 31 (v))	Retained earnings* RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	As of 31 December 2009	—	862	39,478	9,122	(3,559)	—	186,739	232,642	—	232,642
	Profit for the period	—	—	—	—	—	—	28,916	28,916	—	28,916
	Other comprehensive income for the period: Exchange differences on translation of foreign operations	—	—	—	—	(190)	—	—	(190)	—	(190)
	Total comprehensive income for the period	—	—	—	—	(190)	—	28,916	28,726	—	28,726
	Appropriation for reserve funds	—	—	—	—	—	—	—	—	—	—
	Acquisition of entities under common control	—	—	(9,409)	—	—	—	—	(9,409)	—	(9,409)
	Equity-settled share option arrangements. Distribution to the then shareholders	—	—	—	—	—	534	—	534	—	534
	As of 31 May 2010 (unaudited)	—	862	30,069	9,122	(3,749)	534	215,655	252,493	—	252,493

* These reserve accounts comprise the consolidated reserves of RMB169,438,000, RMB232,642,000, RMB119,850,000 and RMB152,812,000 in the consolidated statements of financial position as at 31 December 2008, 2009, 2010 and as at 31 May 2011, respectively.

5. Consolidated statements of cash flows

Section II	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Notes	(unaudited)				
OPERATING ACTIVITIES					
Profit/(loss) before tax:					
From continuing operations	107,548	93,323	126,026	38,164	42,008
From a discontinued operation	12	(227)	(349)	515	(36)
Adjustments for:					
Finance costs	7	2,992	2,206	3,446	1,408
Interest income		(420)	(210)	(444)	(132)
Depreciation		21,936	29,337	36,959	13,729
Impairment of property and equipment	15	(3,148)	—	—	—
Amortisation of intangible assets	16	—	—	—	221
Amortisation of other long-term assets		176	212	212	88
Excess over the cost of a business combination	32	(31)	—	—	—
Gains on disposal of subsidiaries and business		—	—	(4,576)	—
Loss on disposal of items of property and equipment	6	—	2	64	—
Equity-settled share option expense	30	—	—	1,540	534
Other share-based payment expense		2,002	—	—	—
		<u>130,828</u>	<u>124,521</u>	<u>163,742</u>	<u>53,755</u>
Decrease/(increase) in inventories		(4,636)	2,172	(11,431)	(6,662)
Increase in trade receivables		(1,513)	(137)	(1,532)	(1,613)
Decrease/(increase) in prepayments, deposits and other receivables		(12,126)	(78,651)	17,377	(22,752)
Increase in trade payables		7,783	4,170	10,491	10,316
Increase/(decrease) in other payables and accruals		14,369	8,510	(26,589)	21,156
Increase in long-term rental deposits		(7,168)	(7,159)	(4,383)	(3,006)
Increase/(decrease) in long-term payables		(1,272)	2,412	4,348	(197)
Increase in deferred income		—	—	1,654	320
Cash generated from operations		<u>126,265</u>	<u>55,838</u>	<u>153,677</u>	<u>51,317</u>
Income tax paid		<u>(24,692)</u>	<u>(28,385)</u>	<u>(30,330)</u>	<u>(21,747)</u>
Net cash flows from operating activities		<u>101,573</u>	<u>27,453</u>	<u>123,347</u>	<u>29,570</u>
		<u>84,518</u>			

Section II	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES					
Purchase of items of property and equipment	(49,415)	(59,171)	(125,859)	(30,778)	(79,474)
Proceeds from disposal of items of property and equipment . .	114	61	211	—	22
Purchase of intangible assets . .	—	—	—	—	(2,115)
Acquisition of a subsidiary	32 (5,762)	—	—	—	—
Acquisition of non-controlling interests	(2,820)	—	—	—	—
Deconsolidation of Hongqiao XNG	33 (14,287)	—	—	—	—
Disposal of subsidiaries and business	34 —	—	4,858	—	—
Interest received	420	210	444	132	141
Net cash flows used in investing activities	(71,750)	(58,900)	(120,346)	(30,646)	(81,426)
FINANCING ACTIVITIES					
Repayment of bank loans	(30,000)	(32,048)	(80,000)	(30,000)	(10,000)
New bank loans	44,448	70,000	100,000	30,000	—
Interest paid	(2,992)	(2,206)	(3,446)	(1,408)	(1,782)
Dividend paid	(5,454)	—	(8,176)	—	(7,242)
Net cash flows generated from financing activities	6,002	35,746	8,378	(1,408)	(19,024)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year	41,979	77,210	81,482	81,482	92,661
Effect of foreign exchange rate changes, net	(594)	(27)	(200)	(211)	(71)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					
	<u>77,210</u>	<u>81,482</u>	<u>92,661</u>	<u>78,787</u>	<u>76,658</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash on hand and at bank	23 76,803	80,088	92,661	78,324	76,658
Cash and cash equivalents attributable to a discontinued operation	12 407	1,394	—	463	—
	<u>77,210</u>	<u>81,482</u>	<u>92,661</u>	<u>78,787</u>	<u>76,658</u>

6. Statements of financial position

		<u>31 December</u>	<u>31 May</u>
	Section II	2010	2011
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment in subsidiaries	18	59,312	59,312
Total non-current assets		<u>59,312</u>	<u>59,312</u>
Net assets		<u>59,312</u>	<u>59,312</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	—	—
Reserves	31	59,312	59,312
Total equity		<u>59,312</u>	<u>59,312</u>

II. NOTES TO THE FINANCIAL INFORMATION**1. CORPORATE INFORMATION AND GROUP REORGANISATION**

The Company was incorporated in the Cayman Islands on 2 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"). The registered office of the Company is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Particulars of the companies now comprising the Group are set out in Note 18 of Section II below. The Group is principally engaged in the operation of Chinese restaurant chain stores in Mainland China and Hong Kong (the "Listing Business").

In the opinion of the directors of the Company (the "Directors"), the ultimate controlling shareholder of the Company is Ms. Wang Huimin (the "Controlling Shareholder").

Before the Reorganisation and formation of the Group, except for the cases of Shanghai Hongqiao Xiao Nan Guo Restaurant Management Co., Ltd. ("Hongqiao XNG") and Shanghai Xiao Nan Guo Nutritional Food Co., Ltd. ("Kangdian"), the Listing Business was carried out by the subsidiaries now comprising the Group as set out in Note 18, all of which were collectively controlled by Ms. Wang Huimin.

The Group underwent the Reorganisation as set out in the section headed "History and Development" in the Prospectus. In particular, on 17 April 2008, Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. ("Hongmei XNG") was established to acquire the entire business together with certain operating assets and liabilities of Hongqiao XNG ("Hongqiao Business") on 1 July 2008. Hongqiao XNG was 100% owned by the Controlling Shareholder. After the business acquisition, Hongqiao XNG ceased its restaurant operation and leases the restaurant premise (that was not transferred to Hongmei XNG) to Hongmei XNG at an annual rental fee of RMB4 million for a period of 5 years.

Upon completion of the Reorganisation, the Company became the holding company of the other subsidiaries now comprising the Group.

2. BASIS OF PRESENTATION

Except for the acquisition of Kangdian which was purchased from independent third parties and should thus be accounted for using purchase method of accounting, the Reorganisation has been accounted for in accordance with merger accounting method as if the Reorganisation had been completed at the beginning of the Relevant Periods because the Company and the subsidiaries now comprising the Group (except for Kangdian), and also the Hongqiao Business, were under common control by the Controlling Shareholder before and after the Reorganisation.

The accounts of Hongqiao XNG have been included in the Financial Information throughout the Relevant Periods as it was 100% owned by the Controlling Shareholder and the Hongqiao Business formed an integral part of the Listing Business. Accordingly, it was reflected in the Financial Information up to the business acquisition date of 1 July 2008, i.e. the effective date when Hongqiao XNG ceased its restaurant operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with IFRSs issued by IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). For the purpose of this Financial Information, the Group has adopted, at the beginning of the Relevant Periods, all the new and revised IFRSs applicable to the Relevant Periods.

The Financial Information has been prepared under the historical cost convention. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 12. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

- Amendments to IFRS1 *Amendments to IFRS1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*¹
- Amendments to IFRS7 *Amendments to IFRS 7 Financial Instruments: Disclosures - Transfer of Financial Assets*¹
- Amendments to IAS1 *Amendments to IAS1 Presentation of Items of Other Comprehensive Income*³
- Amendments to IAS12 *Amendments to IAS12 Income Taxes — Deferred Tax: Recovery of Underlying Assets*²
- IAS 27 (Revised) *Separate Financial Statements*³
- IAS 28 (Revised) *Investments in Associates and Joint Ventures*³
- IFRS 9 *Financial Instruments: Classification and measurement*³
- IFRS 10 *Consolidated Financial Statements*³
- IFRS 11 *Joint Arrangements*³
- IFRS 12 *Disclosure of Interests in Other Entities*³
- IFRS 13 *Fair Value Measurement*³

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- ¹ Effective for annual periods beginning on or after 1 July 2011
- ² Effective for annual periods beginning on or after 1 January 2012
- ³ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

This Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in Note 2 above, the acquisition of subsidiaries and business under common control has been accounted for using merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The acquisition of subsidiaries other than those under common control has been accounted for using the purchase method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations, other than acquisition of subsidiaries under common control as explained in Note 2 above, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the combined income statements in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;

- (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

	<u>Annual rate</u>	<u>Estimated Residual values</u>
Software	10%	—

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Annual rate	Estimated Residual values
Buildings	2.375%	5%
Furniture, fixtures and equipment	19%	5%
Motor vehicles	19%	5%
Leasehold improvement	Over the shorter of lease terms and estimated useful period	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets***Initial recognition and measurement***

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, trade receivables, deposits and other receivables, long-term rental deposits and available-for-sale investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integrated part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying

amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through the income statement, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank loans and long-term payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other option pricing models.

Inventories

Inventories comprise ingredients, consumables and food and beverages and are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the combined cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with initial terms of three months or less, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the income statement is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from restaurant operations, when catering services have been provided to customers;
- (b) from the sale of foods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the foods sold;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the Group as consideration cannot be specifically identified, the unidentifiable goods or services are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 30 to the Financial Information.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Besides the share option scheme operated by the Company, the Controlling Shareholder has granted to a Director certain shares in an investment holding company which holds 100% shares in the Company as an inducement for the Director to join the Group. The inducement cost was measured at the fair value of the granted shares and expensed to the income statement as Director's remuneration.

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme. Details of the central pension scheme are set out in Note 28 below.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

The Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the Financial Information of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date. All differences are taken to the income statement, with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the reporting date, and their income statements are translated into RMB at the weighted average

exchange rates for the Relevant Periods. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing date.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3.4 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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 financial year, are discussed below.

(i) *Useful lives of property and equipment*

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property and equipment. This estimate is based on the historical experience of the actual useful lives of property and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

(ii) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. Management reassesses these estimates at each reporting date.

(iii) *Impairment of receivables*

Impairment of receivables is made based on assessment of their recoverability. The identification of impairment of receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables and impairment loss/reversal of impairment in the period in which such an estimate has been changed.

(iv) *Deferred income*

The amount of revenue attributable to the credit award earned by the customers of the Groups' membership programme is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate was estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed.

(v) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to tax losses at 31 December 2008, 2009, 2010 and 31 May 2011 were RMB2,167,000, RMB5,698,000, RMB6,292,000 and RMB6,453,000, respectively. Further details are contained in Note 27 to the Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of operating Chinese restaurant chain stores. For management purposes, the Group operates in one business unit, and has one reportable segment which is the Chinese restaurant operation. No operating segments have been aggregated to form the above reportable operating segment.

Geographical information(a) *Revenue from external customers*

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	480,406	548,443	738,406	280,287	351,874
Hong Kong	112,517	110,528	134,071	53,948	61,608
	<u>592,923</u>	<u>658,971</u>	<u>872,477</u>	<u>334,235</u>	<u>413,482</u>

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

(b) *Non-current assets*

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	116,489	151,605	259,221	338,169
Hong Kong	22,932	34,223	26,612	36,907
	<u>139,421</u>	<u>185,828</u>	<u>285,833</u>	<u>375,076</u>

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

Information about a major customer

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during each of the Relevant Periods, no major customers segment information is presented in accordance with IFRS 8 *Operating Segments*.

5. REVENUE AND OTHER INCOME

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

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

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
Restaurant operations	577,946	637,396	845,893	325,318	406,017
Other revenue	14,977	21,575	26,584	8,917	7,465
Revenue, net	<u>592,923</u>	<u>658,971</u>	<u>872,477</u>	<u>334,235</u>	<u>413,482</u>
Other income					
Government grants	6,559	9,413	13,673	5,041	4,207
Bank interest income	376	199	442	132	141
Excess over the cost of a business combination	31	—	—	—	—
Management fee	—	—	1,500	—	1,250
Property rental income	1,341	—	—	—	—
Others	438	936	2,918	598	1,044
	<u>8,745</u>	<u>10,548</u>	<u>18,533</u>	<u>5,771</u>	<u>6,642</u>
Gains					
Gain on disposal of subsidiaries and business	—	—	4,576	—	—
	<u>8,745</u>	<u>10,548</u>	<u>23,109</u>	<u>5,771</u>	<u>6,642</u>

6. PROFIT BEFORE TAX

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

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories consumed . . .	223,556	233,671	297,325	122,101	139,851
Depreciation	20,016	27,433	35,467	13,046	20,242
Minimum lease payments under operating lease on buildings .	67,600	95,045	121,616	48,185	65,785
Auditors' remuneration	71	435	188	128	22
Employee benefit expense (including directors' remuneration (<i>Note 8</i>))					
Wages and salaries	102,752	122,204	168,041	64,537	80,974
Equity settled share option expense	—	—	1,540	534	1,584
Other share-based payment expense	2,002	—	—	—	—
Defined contribution pension scheme	14,305	23,596	39,584	15,963	20,656
	<u>119,059</u>	<u>145,800</u>	<u>209,165</u>	<u>81,034</u>	<u>103,214</u>
Bank interest income	(376)	(199)	(442)	(132)	(141)
Impairment of property and equipment	3,148	—	—	—	—
Gain on disposal of subsidiaries and business . .	—	—	4,576	—	—
Loss on disposal of items of property and equipment . . .	—	2	64	—	187
	<u>—</u>	<u>2</u>	<u>64</u>	<u>—</u>	<u>187</u>

7. FINANCE COSTS

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

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expense on short-term bank loans	<u>2,992</u>	<u>2,206</u>	<u>3,446</u>	<u>1,408</u>	<u>1,782</u>

8. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	960	—	871	—	718
Performance related bonuses	—	—	—	—	—
Equity-settled share option	—	—	106	36	343
Other share-based payment	2,002	—	—	—	—
Pension scheme contributions	—	—	14	—	20
	<u>2,962</u>	<u>—</u>	<u>991</u>	<u>36</u>	<u>1,081</u>

During the year ended 31 December 2010 and the five-month period ended 31 May 2011, one of the Directors was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in Note 30 to the Financial Information. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the year ended 31 December 2010 and the five-month period ended 31 May 2011 are included in the above Directors' remuneration disclosures.

(a) Executive Directors

	Year ended 31 December 2008				
	Salaries, allowances and benefits in kind	Equity-settled share option	Other share-based payment	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Ms. Wang Huimin	960	—	—	—	960
Ms. Wu Wen	—	—	—	—	—
Mr. Kang Jie	—	—	2,002	—	2,002
	<u>960</u>	<u>—</u>	<u>2,002</u>	<u>—</u>	<u>2,962</u>

Year ended 31 December 2009

	Salaries, allowances and benefits in kind	Equity- settled share option	Other share-based payment	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Ms. Wang Huimin	—	—	—	—	—
Ms. Wu Wen	—	—	—	—	—
Mr. Kang Jie	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Year ended 31 December 2010

	Salaries, allowances and benefits in kind	Equity- settled share option	Other share-based payment	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Ms. Wang Huimin	—	—	—	—	—
Ms. Wu Wen	—	—	—	—	—
Mr. Kang Jie	871	106	—	14	991
	<u>871</u>	<u>106</u>	<u>—</u>	<u>14</u>	<u>991</u>

Five-month period ended 31 May 2011

	Salaries, allowances and benefits in kind	Equity- settled share option	Other share-based payment	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Ms. Wang Huimin	—	—	—	—	—
Ms. Wu Wen	—	—	—	—	—
Mr. Kang Jie	718	343	—	20	1,081
	<u>718</u>	<u>343</u>	<u>—</u>	<u>20</u>	<u>1,081</u>

Five-month period ended 31 May 2010 (unaudited)

	Salaries, allowances and benefits in kind	Equity- settled share option	Other share-based payment	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors					
Ms. Wang Huimin	—	—	—	—	—
Ms. Wu Wen	—	—	—	—	—
Mr. Kang Jie	—	36	—	—	36
	—	36	—	—	36

(b) **Non-executive Directors**

Ms. Wang Huili, Mr. Tang Donald Wei and Mr. Weng Xiangwei were appointed as non-executive Directors in 2010. There were no fees or other emoluments payable to them during the Relevant Periods.

(c) **Independent Non-executive Directors**

Mr. Wang Yu, Mr. Wang Chiwei and Mr. Tsang Henry Yuk Wong were appointed as independent non-executive Directors in 2011. There were no fees or other emoluments payable to them during the Relevant Periods.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included 2 Directors for the year ended 31 December 2008 and 1 Director for the year ended 31 December 2010 and five-month period ended 31 May 2011, and details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining 3, 5, 4 and 4 non-Directors, highest paid employees for the years ended 31 December 2008, 2009, 2010, and the five-month period ended 31 May 2011 respectively, are as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	3,247	3,016	3,932	1,213	1,996
Performance related bonuses . . .	800	1,030	—	—	—
Equity-settled share option expense	—	—	402	137	877
Other share-based payment expense	2,002	—	—	—	—
Pension scheme contributions . . .	44	102	109	75	111
	6,093	4,148	4,443	1,425	2,984

The number of non-Director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
				(unaudited)	
Nil to HK\$1,000,000	2	5	4	4	4
HK\$1,000,001 to HK\$1,500,000	1	—	—	—	—
	<u>3</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the year ended 31 December 2010 and five-month period ended 31 May 2011, share options were granted to a non-Director, highest paid employee in respect of his services to the Group, further details of which are set out in Note 30 to the Financial Information. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the year ended 31 December 2010 and five months period ended 31 May 2011 are included in the above non-Director, highest paid employees' remuneration disclosures.

10. INCOME TAX

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

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Group:					
Current - Mainland China					
Charge for the year	21,631	23,855	30,223	12,635	14,440
Current - Hong Kong					
Charge for the year	2,444	2,356	2,923	967	1,097
Overprovision in prior years	(68)	—	—	—	—
Deferred (<i>Note 27</i>)	310	(4,964)	(3,206)	(4,390)	(5,538)
Total tax charge for the year/period	<u>24,317</u>	<u>21,247</u>	<u>29,940</u>	<u>9,212</u>	<u>9,999</u>

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

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

The National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which has been effective since 1 January 2008. According to the New CIT Law, the income tax rates for both domestic and foreign investment enterprises in the People's Republic of China (the "PRC") are unified at 25% effective from 1 January 2008.

Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. and Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd., which are subsidiaries of the Group located in Shanghai Pudong New Area, enjoyed preferential CIT rates of 18%, 20%, 22% and 24% for the years ended/ending 31 December 2008, 2009, 2010 and 2011, respectively, according to the preferential CIT policy in the PRC. These companies will be subject to a normal income tax of 25% commencing year 2012.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Year ended 31 December 2008

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax from continuing operations	93,981		13,567		107,548	
Tax at the statutory tax rate	23,495	25.0	2,238	16.5	25,733	23.9
Tax concession or lower tax rate enacted by local authority	(1,957)	(2.0)	—	—	(1,957)	(1.8)
Adjustments in respect of current tax of previous periods	—	—	(68)	(0.5)	(68)	(0.1)
Income not subject to tax	—	—	(46)	(0.3)	(46)	(0.0)
Expenses not deductible for tax	567	0.6	144	1.1	711	0.7
Effect of change in enacted tax rate used for the recognition of deferred tax	(56)	(0.1)	—	—	(56)	(0.1)
Tax charge at the Group's effective rate	22,049	23.5	2,268	16.8	24,317	22.6

Year ended 31 December 2009

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax from continuing operations	<u>83,374</u>		<u>9,949</u>		<u>93,323</u>	
Tax at the statutory tax rate	20,843	25.0	1,641	16.5	22,484	24.1
Tax concession or lower tax rate enacted by local authority	(1,578)	(1.9)	—	—	(1,578)	(1.7)
Expenses not deductible for tax	212	0.3	183	1.8	395	0.4
Effect of change in enacted tax rate used for the recognition of deferred tax	(46)	(0.1)	—	—	(46)	(0.0)
Tax losses utilised from previous periods	—	—	(8)	(0.1)	(8)	(0.0)
Tax charge at the Group's effective rate	<u>19,431</u>	<u>23.3</u>	<u>1,816</u>	<u>18.2</u>	<u>21,247</u>	<u>22.8</u>

Year ended 31 December 2010

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax from continuing operations	<u>116,153</u>		<u>9,873</u>		<u>126,026</u>	
Tax at the statutory tax rate	29,038	25.0	1,629	16.5	30,667	24.3
Tax concession or lower tax rate enacted by local authority	(1,560)	(1.4)	—	—	(1,560)	(1.2)
Expenses not deductible for tax	767	0.7	133	1.3	900	0.7
Effect of change in enacted tax rate used for the recognition of deferred tax	(67)	(0.1)	—	—	(67)	(0.1)
Tax charge at the Group's effective rate	<u>28,178</u>	<u>24.2</u>	<u>1,762</u>	<u>17.8</u>	<u>29,940</u>	<u>23.7</u>

Five-month period ended 31 May 2011

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax from continuing operations	<u>34,830</u>		<u>7,178</u>		<u>42,008</u>	
Tax at the statutory tax rate	8,708	25.0	1,184	16.5	9,892	23.5
Tax concession or lower tax rate enacted by local authority	(239)	(0.7)	—	—	(239)	(0.6)
Income not subject to tax	—	—	(156)	(2.2)	(156)	(0.4)
Expenses not deductible for tax	542	1.6	—	—	542	1.3
Effect of change in enacted tax rate used for the recognition of deferred tax	<u>(40)</u>	<u>(0.1)</u>	<u>—</u>	<u>—</u>	<u>(40)</u>	<u>(0.1)</u>
Tax charge at the Group's effective rate	<u>8,971</u>	<u>25.8</u>	<u>1,028</u>	<u>14.3</u>	<u>9,999</u>	<u>23.7</u>

Five-month period ended 31 May 2010 (unaudited)

	Mainland China		Hong Kong		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax from continuing operations	<u>35,659</u>		<u>2,505</u>		<u>38,164</u>	
Tax at the statutory tax rate	8,915	25.0	413	16.5	9,328	24.4
Tax concession or lower tax rate enacted by local authority	(557)	(1.6)	—	—	(557)	(1.4)
Expenses not deductible for tax	424	1.2	109	4.4	533	1.4
Effect of change in enacted tax rate used for the recognition of deferred tax	<u>(92)</u>	<u>(0.3)</u>	<u>—</u>	<u>—</u>	<u>(92)</u>	<u>(0.2)</u>
Tax charge at the Group's effective rate	<u>8,690</u>	<u>24.3</u>	<u>522</u>	<u>20.9</u>	<u>9,212</u>	<u>24.2</u>

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 and five-month period ended 31 May 2011 include losses of RMB1,540,000 and RMB1,584,000, respectively, which have been dealt with in the financial statements of the Company (Note 31).

12. DISCONTINUED OPERATION

As part of the Reorganisation, on 7 May 2010 the Group acquired the entire interest in Shanghai Xiao Nan Guo Hai Zhi Yuan Gym Co., Ltd. ("Hai Zhi Yuan") which was then ultimately owned by the Controlling Shareholder and was engaged in the Spa business. The acquisition was for the sole purpose of the Reorganisation and subsequently on 31 December 2010, Hai Zhi Yuan disposed of the Spa business together with the relevant operating assets and liabilities ("Spa Business") to a company owned by the Controlling Shareholder at a consideration of RMB5,000,000, which was determined with reference to the net asset value of the Spa Business. Therefore, the Spa Business was classified as a disposal group held for sale throughout the Relevant Periods.

The results of the Spa Business for the Relevant Periods are presented below:

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	23,093	24,047	27,915	12,392	—
Expenses	(23,320)	(24,396)	(27,400)	(12,428)	—
Profit/(loss) before tax from the discontinued operation	(227)	(349)	515	(36)	—
Income tax	(162)	—	(129)	—	—
Profit/(loss) for the year from the discontinued operation	<u>(389)</u>	<u>(349)</u>	<u>386</u>	<u>(36)</u>	<u>—</u>

The major classes of assets and liabilities of the Spa Business classified as held for sale as at 31 December are as follows:

	2008	2009
	RMB'000	RMB'000
<i>Assets</i>		
Property and equipment	4,352	2,955
Inventories	156	166
Trade receivables	48	64
Prepayments, deposits and other receivables	3,060	4,001
Cash and cash equivalents	407	1,394
Assets of a disposal group classified as held for sale	<u>8,023</u>	<u>8,580</u>
<i>Liabilities</i>		
Trade payables	3,193	3,667
Tax payable	149	177
Dividend payable	—	1,082
Other payables and accruals	262	648
Liabilities of a disposal group classified as held for sale	<u>3,604</u>	<u>5,574</u>
Net assets directly associated with the disposal group	<u>4,419</u>	<u>3,006</u>

The net cash flows incurred by the Spa Business are as follows:

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities	(692)	1,483	563	291	—
Investing activities	(1,032)	(495)	(1,663)	(1,222)	—
Net cash inflow/(outflow)	<u>(1,724)</u>	<u>988</u>	<u>(1,100)</u>	<u>(931)</u>	<u>—</u>

The net assets of the Spa Business disposed of as at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property and equipment	3,129
Inventories	357
Trade receivables	39
Prepayments, deposits and other receivables	8,130
Cash and cash equivalents	294
Trade payables	(3,844)
Tax payable	(317)
Dividend payable	(1,082)
Other payables and accruals	(1,320)
	<u>5,386</u>
Net loss on disposal of the Spa Business	(386)
	<u>5,000</u>
Satisfied by:	
Cash	<u>5,000</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the Spa Business is as follows:

	RMB'000
Cash consideration	5,000
Cash and bank balances disposed of	(294)
Net inflow of cash and cash equivalents in respect of the disposal of the Spa Business	<u>4,706</u>

13. DISTRIBUTIONS TO THE THEN SHAREHOLDERS

The distribution amounts represented the dividends declared by the Group companies to their then shareholders. The rates of dividends and the number of shares ranking for dividend are not presented as such information is not considered meaningful for the purpose of this report.

The dividends for the year ended 31 December 2009 included an amount of RMB29,500,000 representing the dividend declared by a subsidiary of the Group which was used to increase the paid-in capital of that subsidiary.

14. EARNINGS PER SHARE ATTRIBUTIBLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and basis of presentation of the results of the Group for the Relevant Periods as explained in Notes 1 and 2 above.

15. PROPERTY AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2008						
At 1 January 2008:						
Cost	97,989	103,793	32,214	3,976	—	237,972
Accumulated depreciation and impairment	(10,233)	(32,184)	(15,716)	(1,974)	—	(60,107)
Net carrying amount	<u>87,756</u>	<u>71,609</u>	<u>16,498</u>	<u>2,002</u>	<u>—</u>	<u>177,865</u>
At 1 January 2008, net of						
accumulated depreciation . . .	87,756	71,609	16,498	2,002	—	177,865
Additions	—	26,277	16,985	3,132	6,830	53,224
Acquisition of a subsidiary . .	—	2,941	237	176	—	3,354
Disposals	—	—	(87)	(27)	—	(114)
Impairment	—	—	(3,148)	—	—	(3,148)
Depreciation provided during the year	(1,026)	(13,947)	(4,549)	(494)	—	(20,016)
Deconsolidation of Hongqiao XNG	(86,730)	—	(4,314)	—	—	(91,044)
Exchange realignment	—	(737)	(357)	—	—	(1,094)
At 31 December 2008, net of accumulated depreciation . . .	<u>—</u>	<u>86,143</u>	<u>21,265</u>	<u>4,789</u>	<u>6,830</u>	<u>119,027</u>
At 31 December 2008						
Cost	—	125,672	44,505	7,215	6,830	184,222
Accumulated depreciation and impairment	—	(39,529)	(23,240)	(2,426)	—	(65,195)
Net carrying amount	<u>—</u>	<u>86,143</u>	<u>21,265</u>	<u>4,789</u>	<u>6,830</u>	<u>119,027</u>
31 December 2009						
At 31 December 2008 and at 1 January 2009:						
Cost	—	125,672	44,505	7,215	6,830	184,222
Accumulated depreciation and impairment	—	(39,529)	(23,240)	(2,426)	—	(65,195)
Net carrying amount	<u>—</u>	<u>86,143</u>	<u>21,265</u>	<u>4,789</u>	<u>6,830</u>	<u>119,027</u>
At 1 January 2009, net of						
accumulated depreciation . . .	—	86,143	21,265	4,789	6,830	119,027
Additions	—	43,332	10,761	1,421	11,478	66,992
Disposals	—	—	(46)	(17)	—	(63)
Depreciation provided during the year	—	(17,614)	(6,890)	(2,929)	—	(27,433)
Transfers	—	13,536	—	—	(13,536)	—
Exchange realignment	—	(26)	(10)	—	—	(36)
At 31 December 2009, net of accumulated depreciation . . .	<u>—</u>	<u>125,371</u>	<u>25,080</u>	<u>3,264</u>	<u>4,772</u>	<u>158,487</u>

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2009						
Cost	—	180,546	54,916	8,241	4,772	248,475
Accumulated depreciation and impairment	—	(55,175)	(29,836)	(4,977)	—	(89,988)
Net carrying amount	—	125,371	25,080	3,264	4,772	158,487
31 December 2010						
At 31 December 2009 and at 1 January 2010:						
Cost	—	180,546	54,916	8,241	4,772	248,475
Accumulated depreciation and impairment	—	(55,175)	(29,836)	(4,977)	—	(89,988)
Net carrying amount	—	125,371	25,080	3,264	4,772	158,487
At 1 January 2010, net of accumulated depreciation.						
Additions	—	32,324	8,888	382	94,437	136,031
Disposals	—	—	(26)	(249)	—	(275)
Disposal of subsidiaries	—	(2,662)	(894)	(23)	(58)	(3,637)
Depreciation provided during the year	—	(26,160)	(8,467)	(840)	—	(35,467)
Transfers	—	54,682	6,948	—	(61,630)	—
Exchange realignment	—	(617)	(201)	—	—	(818)
At 31 December 2010, net of accumulated depreciation	—	182,938	31,328	2,534	37,521	254,321
At 31 December 2010						
Cost	—	261,846	66,016	5,843	37,521	371,226
Accumulated depreciation and impairment	—	(78,908)	(34,688)	(3,309)	—	(116,905)
Net carrying amount	—	182,938	31,328	2,534	37,521	254,321
31 May 2011						
At 31 December 2010 and at 1 January 2011:						
Cost	—	261,846	66,016	5,843	37,521	371,226
Accumulated depreciation and impairment	—	(78,908)	(34,688)	(3,309)	—	(116,905)
Net carrying amount	—	182,938	31,328	2,534	37,521	254,321

	Buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011, net of accumulated depreciation . . .	—	182,938	31,328	2,534	37,521	254,321
Additions	—	45,196	12,774	2	43,463	101,435
Disposals	—	(183)	(26)	—	—	(209)
Depreciation provided during the period	—	(16,223)	(3,671)	(348)	—	(20,242)
Transfers	—	61,464	1,383	—	(62,847)	—
Exchange realignment	—	(387)	(114)	—	—	(501)
At 31 May 2011, net of accumulated depreciation . . .	<u>—</u>	<u>272,805</u>	<u>41,674</u>	<u>2,188</u>	<u>18,137</u>	<u>334,804</u>
At 31 May 2011						
Cost	—	363,862	79,833	5,845	18,137	467,677
Accumulated depreciation and impairment	—	(91,057)	(38,159)	(3,657)	—	(132,873)
Net carrying amount	<u>—</u>	<u>272,805</u>	<u>41,674</u>	<u>2,188</u>	<u>18,137</u>	<u>334,804</u>

16. OTHER INTANGIBLE ASSETS

Group

	<u>Software</u> RMB'000
31 May 2011	
As at 1 January 2011, net of accumulated amortization	—
Additions	2,115
Amortisation provided during the period	(221)
As 31 May 2011, net of amortisation	<u>1,894</u>
As 31 May 2011	
Cost	2,115
Accumulated amortisation	(221)
Net carrying amount	<u>1,894</u>

17. LONG-TERM RENTAL DEPOSITS AND LONG-TERM PAYABLES

The long-term rental deposits represent the rental deposits paid to the various landlords with lease terms that will expire more than one year after the end of the reporting period.

The long-term payables represent the long-term portion of accrued rental expenses.

18. INVESTMENT IN SUBSIDIARIES

	Company	
	31 December 2010	31 May 2011
	RMB'000	RMB'000
Unlisted shares, at cost	59,312	59,312

Particulars of the subsidiaries of the Group are as follows:

Company name	Place of registration and operation and date of establishment	Paid-up capital as at 31 May 2011 (in '000)	Percentage of equity interests attributable to the Group as at				Notes
			31 December			31 May	
			2008	2009	2010	2011	
Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. 上海浦東小南國餐飲有限公司	PRC 29 December 1997	RMB5,000	100%	100%	100%	100%	(i)(a)
Shanghai Xiao Nan Guo Restaurant Co., Ltd. 上海小南國餐飲有限公司	PRC 5 April 2002	RMB30,000	100%	100%	100%	100%	(ii)(a)
Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd. 上海新區小南國餐飲管理有限公司	PRC 12 August 2003	RMB500	100%	100%	100%	100%	(i)(a)
Shanghai Xiao Nan Guo Hai Zhi Yuan Gym Co., Ltd. 上海小南國海之源健身有限公司	PRC 15 September 2004	RMB5,000	100%	100%	100%	100%	(x)(m)
Shanghai Jing'an Xiao Nan Guo Restaurant Co., Ltd. 上海靜安小南國餐飲有限公司	PRC 21 October 2004	RMB2,000	100%	100%	100%	100%	(i)(a)
Shanghai Zhonghuan Huimin Restaurant Management Co., Ltd. 上海中環匯璿餐飲管理有限公司	PRC 23 May 2005	RMB1,000	100%	100%	100%	100%	(i)(a)
Shanghai Xiao Nan Guo Nutritional Food Co., Ltd. 上海小南國營養餐食品有限公司	PRC 9 March 2006	RMB3,000	100%	100%	100%	100%	(iv)(a)
Shanghai Xuhui Xiao Nan Guo Restaurant Management Co., Ltd. 上海徐匯小南國餐飲管理有限公司	PRC 11 August 2006	RMB500	100%	100%	100%	100%	(i)(a)
Beijing Xiao Nan Guo Restaurant Management Co., Ltd. 北京小南國餐飲管理有限公司	PRC 11 October 2006	RMB1,000	100%	100%	100%	100%	(vi)(d)
Shanghai Jinshan Xiao Nan Guo Restaurant Co., Ltd. 上海金山小南國餐飲有限公司	PRC 25 December 2007	RMB500	100%	100%	100%	100%	(i)(a)

Company name	Place of registration and operation and date of establishment	Paid-up capital as at 31 May 2011 (in '000)	Percentage of equity interests attributable to the Group as at				Notes
			31 December			31 May	
			2008	2009	2010	2011	
Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. 上海虹梅小南國餐飲有限公司	PRC 17 April 2008	RMB5,000	100%	100%	100%	100%	(i)(a)
Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd. 上海長寧小南國餐飲有限公司	PRC 23 July 2008	RMB500	100%	100%	100%	100%	(i)(a)
Shanghai Hongkou Xiao Nan Guo Restaurant Co., Ltd. 上海虹口小南國餐飲有限公司	PRC 14 August 2008	RMB500	100%	100%	100%	100%	(i)(a)
Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd. 南京小南國匯璿餐飲有限公司	PRC 17 September 2008	RMB500	100%	100%	100%	100%	(vii)(f)
Suzhou Ligongdi Xiao Nan Guo Restaurant Co., Ltd. 蘇州李公堤小南國餐飲有限公司	PRC 15 October 2008	RMB500	100%	100%	100%	100%	(vii)(e)
Shanghai Sushang Restaurant Management Co., Ltd. 上海速尚餐飲管理有限公司**	PRC 30 October 2008	RMB200	100%	100%	N/A	N/A	(iii)(b)
Dalian Shidai Xiao Nan Guo Restaurant Co., Ltd. 大連時代小南國餐飲有限公司	PRC 30 July 2009	RMB500	N/A	100%	100%	100%	(viii)(g)
Shanghai Xin Di Co., Ltd. 上海鑫迪餐飲有限公司**	PRC 27 August 2009	RMB500	N/A	100%	N/A	N/A	(v)(c)
Shanghai Maison De L'Hui Restaurant Management Co., Ltd. 上海慧公館餐飲管理有限公司	PRC 5 January 2010	RMB1,000	N/A	N/A	100%	100%	(i)(h)
Ningbo Haishu Xiao Nan Guo Restaurant Management Co., Ltd. 寧波市海曙小南國餐飲管理有限公司	PRC 13 December 2010	RMB500	N/A	N/A	100%	100%	(ix)(i)
Nanjing Jiangning Xiao Nan Guo Restaurant Co., Ltd. 南京市江寧區小南國餐飲有限公司	PRC 12 January 2011	RMB1,000	N/A	N/A	N/A	100%	(vi)(#)
Shanghai Songjiang Xiao Nan Guo Restaurant Co., Ltd. 上海松江小南國餐飲有限公司	PRC 28 March 2011	RMB500	N/A	N/A	N/A	100%	(i)(#)
Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. 上海昕怡小南國餐飲管理有限公司	PRC 28 March 2011	RMB500	N/A	N/A	N/A	100%	(i)(#)

Company name	Place of registration and operation and date of establishment	Paid-up capital as at 31 May 2011 (in '000)	Percentage of equity interests attributable to the Group as at				Notes
			31 December			31 May	
			2008	2009	2010	2011	
Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd. 上海寶山小南國餐飲有限公司	PRC 23 May 2011	RMB500	N/A	N/A	N/A	100%	(i)(#)
Xiao Nan Guo Management Co., Ltd. 小南國管理有限公司	Hong Kong 5 May 2000	HKD0.2	100%	100%	100%	100%	(xi)(j)
Wisecorp Worldwide Development Limited 協和環球發展有限公司	Hong Kong 24 November 2004	HKD5,000	100%	100%	100%	100%	(xii)(o)
Xiao Nan Guo Management (Kowloon) Limited 小南國管理(九龍)有限公司	Hong Kong 8 February 2005	HKD10	100%	100%	100%	100%	(xi)(j)
Xiao Nan Guo Holdings Limited 小南國控股有限公司	Hong Kong 14 March 2005	HKD330.2	100%	100%	100%	100%	(xii)(j)
Xiao Nan Guo (Causeway Bay) Management Limited 小南國(銅鑼灣)管理有限公司	Hong Kong 15 March 2005	HKD300	100%	100%	100%	100%	(xi)(j)
Xiao Nan Guo (Kowloon Bay) Management Limited 小南國(九龍灣)管理有限公司	Hong Kong 24 July 2007	HKD10	100%	100%	100%	100%	(xi)(j)
Xiao Nan Guo (Shatin) Management Limited 小南國(沙田)管理有限公司	Hong Kong 8 September 2008	HKD10	100%	100%	100%	100%	(xi)(k)
Xiao Nan Guo (One Peking) Management Limited 小南國(北京道壹號)管理有限公司	Hong Kong 10 June 2009	HKD10	N/A	100%	100%	100%	(xi)(l)
Xiao Nan Guo Holdings Limited	BVI 2 July 2003	USD10,000	100%	100%	100%	100%	(xii)(n)
Xiao Nan Guo (Hong Kong) Restaurant Group Limited	BVI 16 April 2008	USD0.01	100%	100%	100%	100%	(xii)(n)

**

These two subsidiaries have been disposed in year 2010, further details of which are set out in Note 34 to the Financial Information.

As explained in Note 2, the accounts of Hongqiao XNG have been included in the Financial Information throughout the Relevant Periods as it was 100% owned by the Controlling Shareholder and the Hongqiao Business formed an integral part of the Group's restaurant operation business. Accordingly, it was reflected in the Financial Information up to the business acquisition date of 1 July 2008, i.e. the effective date when Hongqiao XNG ceased its restaurant operation. Hongqiao XNG was

established in the PRC on 7 January 1999 with paid-up capital of RMB45,000,000 as at 1 July 2008. It was engaged in the operation of restaurant chain stores and food processing centre in Shanghai, the PRC, and its statutory accounts for the year ended 31 December 2008 were audited by 上海滬中會計師事務所有限公司.

Notes of the principal activities

- (i) Operation of Chinese restaurant chain stores in Shanghai, the PRC;
- (ii) Operation of Chinese restaurant chain stores in Mainland China;
- (iii) Operation of restaurant chain stores and provision of food catering services in Shanghai, the PRC;
- (iv) Operation of food processing and sale of meal box in Shanghai, the PRC;
- (v) Operation of fast food restaurant in Shanghai, the PRC;
- (vi) Operation of Chinese restaurant chain stores in Beijing, the PRC;
- (vii) Operation of Chinese restaurant chain stores in Jiangsu, the PRC;
- (viii) Operation of Chinese restaurant chain stores in Liaoning, the PRC;
- (ix) Operation of Chinese restaurant chain stores in Zhejiang, the PRC;
- (x) Operation of body-building and gymnasium club in Shanghai, PRC;
- (xi) Operation of Chinese restaurant chain restaurants in Hong Kong;
- (xii) Investment holding.

Notes of the statutory auditors

- (a) The statutory accounts for the year ended 31 December 2008 were audited by 上海滬中會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 were audited by 上海至臻聯合會計師事務所. The statutory accounts for the year ended 31 December 2010 were audited by 上海鼎一會計師事務所.
- (b) The statutory accounts for the year ended 31 December 2008 were audited by 上海滬中會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 were audited by 上海至臻聯合會計師事務所.
- (c) The statutory accounts for the year ended 31 December 2009 were audited by 上海至臻聯合會計師事務所.
- (d) The statutory accounts for the years ended 31 December 2008 and 2009 were audited by 東審(北京)會計師事務所. The statutory accounts for the year ended 31 December 2010 were audited by 華聞會計師事務所有限公司.
- (e) The statutory accounts for the year ended 31 December 2008 were audited by 蘇州君和誠信會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 and 2010 were audited by 蘇州東瑞會計師事務所有限公司.
- (f) The statutory accounts for the years ended 31 December 2008, 2009 and 2010 were audited by 南京三聯會計師事務所有限公司.

- (g) The statutory accounts for the years ended 31 December 2009 and 2010 were audited by 大連公正會計師事務所有限公司.
- (h) The statutory accounts for the year ended 31 December 2010 were audited by 上海鼎一會計師事務所.
- (i) No statutory accounts have been prepared for the year ended 31 December 2010 as there is no statutory requirement for the company to prepare audited financial statements.
- (j) The statutory accounts for the years ended 31 December 2008 and 2009 were audited by S.Y. Yang & Company. The statutory accounts for the year ended 31 December 2010 were audited by Joseph K.H. Ng & Co..
- (k) No statutory accounts have been prepared for the year ended 31 December 2008 as there is no statutory requirement to prepare audited financial statements. The statutory accounts for the year ended 31 December 2009 were audited by S.Y. Yang & Company. The statutory accounts for the year ended 31 December 2010 were audited by Joseph K.H. Ng & Co..
- (l) The statutory accounts for the years ended 31 December 2009 and 2010 were audited by Joseph K.H. Ng & Co..
- (m) The statutory accounts for the year ended 31 December 2008 were audited by 上海金城會計師事務所有限公司. The statutory accounts for the year ended 31 December 2009 were audited by 上海至臻聯合會計師事務所. The statutory accounts for the year ended 31 December 2010 were audited by 上海鼎一會計師事務所.
- (n) No statutory accounts have been prepared since their incorporation as there is no statutory requirement for these companies to prepare audited financial statements.
- (o) The statutory accounts for the years ended 31 December 2008 and 2009 were audited by S.Y. Yang & Company. The statutory accounts for the year ended 31 December 2010 were audited by Joseph K.H. Ng & Co..
- (#) Entities established after 31 December 2010.

19. AVAILABLE-FOR-SALE INVESTMENTS

The available-for-sale investments are unlisted equity investments in a few domestic companies in the PRC. The available-for-sale investments were stated at cost less impairment because the investments do not have a quoted market price in an active market and the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not have intention to dispose of them in the near future.

20. INVENTORIES

Group

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Food and beverages, and other operating items for restaurant operations	12,743	10,561	21,801	25,074

21. TRADE RECEIVABLES

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

An aged analysis of the trade receivables as at the end of each reporting period is as follows:

Group

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	5,706	4,924	7,015	8,159
1 to 2 months	433	1,373	826	1,485
2 to 3 months	53	44	109	660
Over 3 months	368	341	283	863
	<u>6,560</u>	<u>6,682</u>	<u>8,233</u>	<u>11,167</u>

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**Group**

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits and other receivables	16,339	23,203	35,046	35,962
Amount due from the Controlling Shareholder	57,136	80,051	46,841	30,332
Amount due from companies owned by the Controlling Shareholder	63,392	105,664	109,976	107,035
Amount due from a Director of major Subsidiaries in Hong Kong	1,038	1,113	73	222
Prepayments	474	6,056	7,128	9,682
	<u>138,379</u>	<u>216,087</u>	<u>199,064</u>	<u>183,233</u>

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

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

23. CASH AND CASH EQUIVALENTS**Group**

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	75,328	78,601	91,430	75,247
Time deposits	1,475	1,487	1,231	1,411
Cash and cash equivalents	76,803	80,088	92,661	76,658

The cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB68,446,000, RMB69,506,000, RMB72,405,000 and RMB67,871,000 as at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. TRADE PAYABLES

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

Group

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	39,666	44,047	50,512	76,513
3 months to 1 year	1,245	735	1,323	581
Over 1 year	674	499	578	353
	41,585	45,281	52,413	77,447

Included in the trade payables balance as at 31 December 2010 and 31 May 2011, there were payable balance due to WHM Japan Co., Ltd. of RMB1,366,000 and RMB227,000, respectively. WHM Japan Co., Ltd. is a company owned by the Controlling Shareholder and supplies Japanese food materials to the Group. The trade payables are non-interest-bearing and normally settled within 30 days after invoice received.

25. OTHER PAYABLES AND ACCRUALS

Group

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Payroll and welfare payables	12,922	17,475	22,063	23,179
Tax payables	4,856	11,418	12,239	5,254
Other payables for construction in progress . .	9,713	18,042	29,878	51,840
Accruals and other payables	9,882	14,505	18,700	27,870
Advance from customers	28,803	36,296	44,594	43,362
Amount due to companies owned by the Controlling Shareholder	8,631	870	6,207	5,527
	<u>74,807</u>	<u>98,606</u>	<u>133,681</u>	<u>157,032</u>

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

26. INTEREST-BEARING BANK LOANS

Group

	Effective interest rate (%)	Maturity	31 December			31 May
			2008	2009	2010	2011
			RMB'000	RMB'000	RMB'000	RMB'000
Current:						
- Secured bank loan (a)	5.56	2011	—	—	20,000	20,000
- Secured bank loan (a)	5.31	2011	—	—	60,000	50,000
- Secured bank loan (a)	7.84	2009	10,000	—	—	—
- Secured bank loan (a)	6.85	2009	10,000	—	—	—
- Secured bank loan (a)	5.31	2010	—	60,000	—	—
- Guaranteed bank loan (b)&(c)	4.25	2009	1,793	—	—	—
- Unsecured bank loan (c)	4.31	2009	255	—	—	—
			<u>22,048</u>	<u>60,000</u>	<u>80,000</u>	<u>70,000</u>

(a) These bank loans were secured by a mortgage over the properties of Hongqiao XNG, a company owned by the Controlling Shareholder.

(b) These bank loans were guaranteed by the Controlling Shareholder and Ms. Wang Zhongying.

(c) These bank loans are denominated in HK dollars in the amount of HKD2,322,000 in total.

(d) The Group obtained a banking facility of RMB80,000,000 on 24 March 2009, which is secured by the property of Hongqiao XNG. The above bank loans of RMB70,000,000 as at 31 May 2011 were granted under such facility.

Shanghai Xiao Nan Guo Restaurants Co., Ltd., a subsidiary of the Group located in the PRC, entered into an agreement with Standard Chartered Bank (China) Limited, the lender, and Standard Chartered Bank (Hong Kong) Limited, the escrow account bank, to borrow a 24-month term loan of RMB120 million and a 12-month revolving credit facility of up to RMB40 million in March 2011. The loan was guaranteed by the Company.

Xiao Nan Guo Holdings Limited, a subsidiary of the Group located in Hong Kong, entered into a HK\$17 million term loan facility agreement with Standard Chartered Bank (Hong Kong) Limited in May 2011. The loan facility was guaranteed by the Company's parent company and secured by 80% equity interest in the Company.

27. DEFERRED TAX

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

Group

	Impairment of fixed assets	Accelerated depreciation for tax purpose	Deferred lease rental	Accrued expenses	Loss available for offsetting against future taxable profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	—	1,195	1,669	2,411	363	5,638
Acquisition of a subsidiary (Note 32)	381	—	(401)	—	1,671	1,651
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	(78)	95	(48)	224	152	345
Exchange realignment	—	(72)	(17)	—	(19)	(108)
Gross deferred tax assets at 31 December 2008	303	1,218	1,203	2,635	2,167	7,526
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	(93)	282	632	1,375	3,532	5,728
Exchange realignment	—	(2)	(1)	—	(1)	(4)
Gross deferred tax assets at 31 December 2009	210	1,498	1,834	4,010	5,698	13,250
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	(45)	170	74	2,268	628	3,095
Exchange realignment	—	(53)	(15)	—	(34)	(102)
Gross deferred tax assets at 31 December 2010	165	1,615	1,893	6,278	6,292	16,243
Deferred tax credited/(charged) to profit or loss during the year (Note 10)	(124)	94	1,717	3,031	345	5,063
Exchange realignment	—	32	77	—	(184)	(75)
Gross deferred tax assets at 31 May 2011	41	1,741	3,687	9,309	6,453	21,231

The Group does not have any material tax losses that are available for offsetting against future taxable profits on which deferred tax assets have not been recognised.

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation	Leasehold improvement in decoration period	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2008	62	113	175
Deferred tax charged to profit or loss during the year (Note 10)	88	567	655
Exchange realignment	(6)	(8)	(14)
Gross deferred tax liabilities at 31 December 2008	144	672	816
Deferred tax charged to profit or loss during the year (Note 10)	739	25	764
Exchange realignment	(1)	(1)	(2)
Gross deferred tax liabilities at 31 December 2009	882	696	1,578
Deferred tax credited to profit or loss during the year (Note 10)	(25)	(86)	(111)
Exchange realignment	(4)	(9)	(13)
Gross deferred tax liabilities at 31 December 2010	853	601	1,454
Deferred tax credited to profit or loss during the year (Note 10)	(375)	(100)	(475)
Exchange realignment	12	(30)	(18)
Gross deferred tax liabilities at 31 May 2011	490	471	961

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totaled approximately RMB118,303,000, RMB142,652,000, RMB84,261,000 and RMB110,121,000 at 31 December 2008, 2009 and 2010 and 31 May 2011, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the state regulations of the PRC, the subsidiaries in Mainland China participate in a defined contribution pension scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The subsidiaries are required to make contributions to the local social security bureau at 10% to 22% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the subsidiaries in Mainland China.

In compliance with the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), the subsidiaries in Hong Kong have participated in a MPF scheme, which is a defined contribution scheme managed by an independent trustee, to provide retirement benefits to their Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

29. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 2 February 2010 with an initial authorised share capital of US\$10,000,000 divided into 1,000,000,000 shares of a par value of US\$0.01 each. On the date of incorporation, 1 ordinary share with total par value of US\$0.01 was allotted, issued and credited as fully paid to its then shareholder.

30. SHARE OPTION SCHEME

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

The maximum number currently permitted to be granted under the Schemes is 100,000,000, or a limitation subject to the further approval of the board of the Company, but limited to 10% of the shares of the Company in issue at any time. Option lapsed in accordance with the terms of the option schemes shall not be counted for the purpose of calculating the 10% limit.

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

The following share options were outstanding under the Schemes during the year ended 31 December 2010 and the five-month period ended 31 May 2011:

	Year ended 31 December 2010	
	Weighted average exercise price per share	Number of options
	RMB	'000
Granted during the year	1.01	38,580
Forfeited during the year	1	<u>(5,830)</u>
At 31 December 2010		<u><u>32,750</u></u>
	Five-month period ended 31 May 2011	
	Weighted average exercise price per share	Number of options
	RMB	'000
Granted during the period	1.01	60,539
Forfeited during the period	1.01	<u>(3,079)</u>
At 31 May 2011		<u><u>57,460</u></u>

No share options were exercised during the year ended 31 December 2010 and the five-month period ended 31 May 2011.

The exercise prices and exercise periods of the share options outstanding as at 31 May 2011 are as follows:

Number of options	Exercise price	Exercise period
'000	RMB per share	
22,790	1	1 January 2012 to 11 February 2020
1,320	1	1 January 2012 to 21 June 2020
3,505	1	1 January 2012 to 1 September 2020
2,640	1.1	1 January 2012 to 15 December 2020
2,260	1.1	1 January 2012 to 26 January 2021
11,895	1.1	1 July 2012 to 22 March 2021
45,800	1.1	1 July 2012 to 22 March 2021
<u>90,210</u>		

The fair value of the share options granted during the year ended 31 December 2010 and the five-month period ended 31 May 2011 were RMB7,228,674 and RMB21,181,573, respectively. The Group recognised share option expenses of RMB1,540,000 during the year ended 31 December 2010 and RMB1,584,000 during the five-month period ended 31 May 2011.

The fair value of all equity-settled share options granted during the year ended 31 December 2010 and the five-month period ended 31 May 2011 was estimated as at the date of grant using a binomial model, taking into account:

	Year ended 31 December 2010	Five-month period ended 31 May 2011
Dividend yield (%)	2.50%	2.50%
Expected volatility (%)	41.8-47.4%	39.7-40.2%
Risk-free interest rate (%)	1.92-2.94%	2.82-2.90%
Maturity date	11 February 2020 - 15 December 2020	26 January 2021 - 22 March 2021
Weighted average exercise price (RMB per share)	1.01	1.1

As at 31 May 2011, the Company had 90,210,000 share options outstanding under the Schemes. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 90,210,000 additional ordinary shares of the Company.

Subsequent to 31 May 2011, on 1 July 2011, a total of 10,590,000 share options were granted. At the date of this report, the Company has 100,000,000 share options outstanding under the Schemes.

Besides the aforesaid share option schemes, the Controlling Shareholder has granted to a Director certain shares in an investment holding company which holds 100% shares in the Company as an inducement for the Director to join the Group in year 2008. The inducement cost of RMB2,002,000 was measured at the fair value of the granted shares and expensed to the income statement as Director's remuneration.

31. RESERVES

Group

The amounts of the Group's reserves and movements therein for each of the Relevant Periods are presented in the consolidated statements of changes in equity.

(i) *Merger reserve*

Merger reserve represents the excess of the nominal value of the paid-in capital of the subsidiaries acquired pursuant to the Reorganisation over the carrying amount of the investments in these subsidiaries.

(ii) *Capital reserve*

The Company's capital reserve mainly represents the fair value of the equity interest in Xiao Nan Guo Holdings Limited transferred to the Company from its holding company with no consideration as part of the Reorganisation.

(iii) *Statutory surplus reserve*

In accordance with the Company Law of the PRC and the respective articles of association of the Group companies, companies that are domiciled in the PRC are required to allocate 10% of their profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until such reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

Statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

(iv) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in Note 3.3 to the Financial Information.

(v) *Share option reserve*

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in Note 3.3 to the Financial Information. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

Company

	Capital reserve	Share option reserve	Accumulated loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Total comprehensive income for the year	—	—	(1,540)	(1,540)
Acquisition of a subsidiary	59,312	—	—	59,312
Equity-settled share option arrangements	—	1,540	—	1,540
At 31 December 2010	<u>59,312</u>	<u>1,540</u>	<u>(1,540)</u>	<u>59,312</u>
Total comprehensive income for the period . .	—	—	(1,584)	(1,584)
Equity-settled share option arrangements	—	1,584	—	1,584
At 31 May 2011	<u>59,312</u>	<u>3,124</u>	<u>(3,124)</u>	<u>59,312</u>

The Company's capital reserve represents the fair value of the equity interest in Xiao Nan Guo Holdings Limited transferred to the Company from its holding company with no consideration as part of the Reorganisation.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in Note 3.3 to the Financial Information. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

32. BUSINESS COMBINATION

On 29 February 2008, the Company acquired the entire equity interests in Kangdian from independent third parties for a consideration of RMB6,000,000.

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

	Notes	Fair value recognised on acquisition RMB'000
Property and equipment	15	3,354
Deferred tax assets	27	1,651
Other long-term assets		1,604
Inventories		60
Trade receivables		1,045
Prepayments, deposits and other receivables		44
Cash and cash equivalents		63
Trade payables		(1,009)
Other payables and accruals		(781)
Total identifiable net assets at fair value		6,031
Excess over the cost of a business combination recognised in profit or loss		(31)
		<u>6,000</u>
Satisfied by:		
Cash		5,825
Other payables		175
		<u>6,000</u>

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

	RMB'000
Cash consideration	(5,825)
Cash and cash equivalents acquired	63
Net outflow of cash and cash equivalents included in cash flows from investing activities	<u>(5,762)</u>

Since its acquisition, Kangdian contributed RMB12,281,000 to the Group's revenue and net loss of RMB557,000 to the Group's consolidated result for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year, the revenue of the Group and the net profit of the Group for the year ended 31 December 2008 would have been RMB594,213,000 and RMB82,578,000, respectively.

33. DECONSOLIDATION OF HONGQIAO XNG

On 1 July 2008, Hongqiao XNG transferred its entire restaurant operation business together with certain operating assets and liabilities to Hongmei XNG. As mentioned in Note 2 to the Financial Information, the financial statements of Hongqiao XNG were consolidated into the Financial Information up to the business acquisition date of 1 July 2008, i.e. the effective date when Hongqiao XNG ceased its restaurant operation.

	<u>Note</u>	<u>RMB'000</u>
Net assets deconsolidated:		
Property and equipment	15	91,044
Available-for-sale investments		21,500
Cash and cash equivalents		14,287
Interest-bearing bank loans		(12,400)
Other payables and accruals		(31,707)
		<u>82,724</u>

An analysis of the net outflow of cash and cash equivalents in respect of deconsolidation of Hongqiao XNG is as follows:

	<u>RMB'000</u>
Cash consideration	—
Cash and cash equivalents disposed of	(14,287)
Net outflow of cash and cash equivalents in respect of deconsolidation of Hongqiao XNG	<u>(14,287)</u>

34. DISPOSAL OF SUBSIDIARIES AND BUSINESS**(a) Disposal of Shanghai Sushang Restaurant Management Co., Ltd. (“Shanghai Sushang”) and Shanghai Xin Di Co., Ltd. (“Shanghai Xin Di”)**

During the year ended 31 December 2010, the Group disposed of its entire interests in Shanghai Sushang and Shanghai Xin Di to a related company owned by the Controlling Shareholder on 21 July 2010 at a consideration of RMB200,000, and on 16 October 2010 at a consideration of RMB 500,000, respectively. The total net assets disposed of are as follows:

	<u>Note</u>	<u>RMB'000</u>
Net assets disposed of:		
Property and equipment	15	3,637
Inventories		2
Trade receivables		6
Cash and cash equivalents		548
Trade payables		(3,183)
Other payables and accruals		<u>(5,272)</u>
		(4,262)
Gain on disposal of subsidiaries		<u>4,962</u>
Satisfied by:		
Cash		<u>700</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Shanghai Sushang and Shanghai Xin Di is as follows:

	<u>RMB'000</u>
Cash consideration	700
Cash and cash equivalents disposed of	<u>(548)</u>
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	<u>152</u>

(b) Disposal of the Spa Business

On 31 December 2010, Hai Zhi Yuan disposed of the Spa Business to a related company owned by the Controlling Shareholder at a consideration of RMB5,000,000 which was determined with reference to the net asset value of the Spa Business. Details of the transaction have been set out in Note 12 to the Financial Information.

35. CONTINGENT LIABILITIES

As at 31 December 2008, 2009 and 2010 and 31 May 2011, neither the Group nor the Company had any significant contingent liabilities.

36. COMMITMENTS**(a) Capital commitments**

The Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for - Leasehold improvements	23,149	45,236	49,644	66,900

(b) Operating lease commitments

The Group leases certain of its office and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 5 to 10 years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

As lessee

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	69,567	107,112	124,469	159,156
In the second to fifth years, inclusive . .	263,713	338,686	455,027	608,861
After five years	133,718	168,952	279,740	451,718
	466,998	614,750	859,236	1,219,735

37. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Group had the following material transactions with related companies owned by the Controlling Shareholder during the Relevant Periods:

Notes	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Fee income from provision of food processing service (i)	308	117	735	21	473
Management fee income (ii)	—	—	1,500	—	1,250
Property rental income (iii)	1,341	—	—	—	—
Property rental expense (iv)	2,000	4,000	4,000	1,667	1,667
Integrated property management expense (v)	—	—	550	—	229
Purchase of goods (vi)	—	—	5,636	4,221	1,199
Sales of goods (vii)	—	—	—	—	530

Notes:

- (i) The Group purchased on behalf of certain related companies and charged processing fee based on a pre-determined flat rate mutually agreed by both parties.
 - (ii) The Group entered into an integrated management service agreement with Xiao Nan Guo (Group) Co., Ltd. on 1 July 2010 pursuant to which the Group has agreed to provide integrated management services to Xiao Nan Guo (Group) Co., Ltd. for a term of one year commencing from July 2010 for a monthly service fee of RMB250,000.
 - (iii) Before the deconsolidation of Hongqiao XNG on 1 July 2008, part of its property premise was leased to a company owned by the Controlling Shareholder for an annual rental fee of RMB2,225,000, which was determined with reference to the market rental rate.
 - (iv) As mentioned in Note 1, after the business acquisition on 1 July 2008, Hongqiao XNG ceased its restaurant operations and leases the restaurant premise to the Group at an annual rental fee of RMB4 million, which was determined with reference to the market rental rate, for a period of 5 years.
 - (v) The Group entered into a service agreement with Hongqiao XNG pursuant to which Hongqiao XNG has agreed to provide property management service to the Group for a period of one year commencing 1 July 2010.
 - (vi) The Group entered into a purchase agreement with WHM Japan Co., Ltd. for a term of three years (the "Purchase Agreement"). Pursuant to the Purchase Agreement, the Group agreed to purchase and WHM Japan Co., Ltd. agreed to supply Japanese food materials at cost.
 - (vii) The Group sold gift boxes to Xiao Nan Guo (Group) Co., Ltd. based on market price.
- (b) Other transactions with related companies owned by the Controlling Shareholder:
- (i) The Group's bank loan facility of RMB80,000,000 was secured by a mortgage over the properties of Hongqiao XNG. Further details of the transaction are included in Note 26 to the Financial Information.
 - (ii) The Group entered into a trademark licensing agreement with Xiao Nan Guo (Group) Co., Ltd., pursuant to which Xiao Nan Guo (Group) Co., Ltd. had granted the Group an exclusive license to use its registered trademarks for no consideration.
 - (iii) On 31 December 2010, Hai Zhi Yuan disposed of the Spa Business to a company owned by the Controlling Shareholder. Details of the transaction have been set out in Note 12 to the Financial Information.
 - (iv) During the year ended 31 December 2010, the Group has disposed of its entire interests in Shanghai Sushang and Shanghai Xin Di to a company owned by the Controlling Shareholder. Details of the transactions have been set out in Note 34(a) to the Financial Information.
- (c) Outstanding balance with related parties

The amounts due from the Controlling Shareholder and companies owned by the Controlling Shareholder are disclosed in Notes 22 and 25 to the Financial Information. These balances are unsecured, interest-free and have no fixed terms of repayment.

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

	Year ended 31 December			Five-month period ended 31 May	
	2008	2009	2010	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term employee benefits	4,266	5,651	7,528	2,467	3,311
Equity-settled share option expense	—	—	726	246	1,126
Other share-based payment expense	<u>2,002</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total compensation paid to key management personnel	<u>6,268</u>	<u>5,651</u>	<u>8,254</u>	<u>2,713</u>	<u>4,437</u>

Further details of Directors' emoluments are included in Note 8 to the Financial Information.

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

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

Group — 31 May 2011

Financial assets

	Loans and receivables	Available-for- sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	100	100
Long-term rental deposits	37,461	—	37,461
Trade receivables	11,167	—	11,167
Financial assets included in prepayments, deposits and other receivables	144,590	—	144,590
Cash and cash equivalents	<u>—</u>	<u>76,658</u>	<u>76,658</u>
	<u>193,218</u>	<u>76,758</u>	<u>269,976</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Long-term payables	23,899
Trade payables	77,447
Dividends payable	196,827
Financial liabilities included in other payables and accruals	96,051
Interest-bearing bank loans	70,000
	<u>464,224</u>

Group — 31 December 2010**Financial assets**

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	100	100
Long-term rental deposits	30,507	—	30,507
Trade receivables	8,233	—	8,233
Financial assets included in prepayments, deposits and other receivables	167,777	—	167,777
Cash and cash equivalents	—	92,661	92,661
	<u>206,517</u>	<u>92,761</u>	<u>299,278</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Long-term payables	17,326
Trade payables	52,413
Dividends payable	204,069
Financial liabilities included in other payables and accruals	79,843
Interest-bearing bank loans	80,000
	<u>433,651</u>

Group — 31 December 2009

Financial assets

	Loans and receivables	Available-for- sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	12,500	12,500
Long-term rental deposits	26,124	—	26,124
Trade receivables	6,682	—	6,682
Financial assets included in prepayments, deposits and other receivables	197,550	—	197,550
Cash and cash equivalents	—	80,088	80,088
	<u>230,356</u>	<u>92,588</u>	<u>322,944</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Long-term payables	12,978
Trade payables	45,281
Dividends payable	66,245
Financial liabilities included in other payables and accruals	56,072
Interest-bearing bank loans	60,000
	<u>240,576</u>

Group — 31 December 2008

Financial assets

	Loans and receivables	Available-for- sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	12,500	12,500
Long-term rental deposits	18,965	—	18,965
Trade receivables	6,560	—	6,560
Financial assets included in prepayments, deposits and other receivables	130,109	—	130,109
Cash and cash equivalents	—	76,803	76,803
	<u>155,634</u>	<u>89,303</u>	<u>244,937</u>

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Long-term payables	10,566
Trade payables	41,585
Dividends payable	66,245
Financial liabilities included in other payables and accruals	41,724
Interest-bearing bank loans	22,048
	<u>182,168</u>

39. FAIR VALUE

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

Cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, dividends payable, interest-bearing bank loans, long-term rental deposits and long-term payables approximate to their carrying amounts.

Unlisted available-for-sale equity investments are stated at cost less impairment because the investments do not have a quoted market price in an active market and in the opinion of the directors, the fair value cannot be measured reliably.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the Relevant Periods, the Group's policy that no trading in financial instruments should be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group).

Approximately 1% of the Group's purchase for both the year ended 31 December 2010 and the five-month period ended 31 May 2011 (years ended 31 December 2008 and 2009: Nil), are denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure of foreign exchange risk.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. Payments for imported materials or services and remittance of earnings outside of the PRC are subject to the availability of foreign currencies which depends on the foreign currency denominated earnings of the enterprises, or must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchases of imported materials and remittance of earnings. While conversion of RMB to Hong Kong dollars or other foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

Interest rate risk

The Group's earnings are affected by changes in interest rates due to the impact of such changes on interest income and expenses from interest-bearing financial assets and liabilities. The Group's interest-bearing financial assets and liabilities comprised primarily of cash at bank and interest-bearing bank loans, which are predominantly denominated in RMB. Management monitors the interest rate exposure and assess its impact on the Group's performance on a closely basis.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The following table demonstrates the sensitivity to reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		RMB'000
Five-month period ended 31 May 2011		
Renminbi	50	(96)
Renminbi	(50)	96
Year ended 31 December 2010		
Renminbi	50	(239)
Renminbi	(50)	239
Year ended 31 December 2009		
Renminbi	50	(126)
Renminbi	(50)	126
Year ended 31 December 2008		
Renminbi	50	(47)
Hong Kong dollar	50	(3)
Renminbi	(50)	47
Hong Kong dollar	(50)	3

Credit risk

The Group trades with a large number of diversified customers and trading terms are mainly on cash and credit card settlement, hence, there is no significant concentration of credit risk.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables, deposits and prepayments and long-term rental deposits included in the consolidated financial statements arise from default of counterparty with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2008, 2009 and 2010 and 31 May 2011, all bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As of 31 December 2008, 2009 and 2010 and 31 May 2011, the Group had bank loans of RMB22,048,000, RMB60,000,000, RMB80,000,000 and RMB70,000,000, respectively which are mature within 12 months. The Directors review the Group's working capital and capital expenditure requirements and consider the liquidity risk is manageable.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

Group

	31 May 2011				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	30,808	40,072	—	70,880
Trade payables	934	76,513	—	—	77,447
Dividends payable	196,827	—	—	—	196,827
Financial liabilities included in other payables and accruals	96,051	—	—	—	96,051
Long-term payables	—	—	—	23,899	23,899
	<u>293,812</u>	<u>107,321</u>	<u>40,072</u>	<u>23,899</u>	<u>465,104</u>
	31 December 2010				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	1,063	81,545	—	82,608
Trade payables	7,839	44,574	—	—	52,413
Dividends payable	204,069	—	—	—	204,069
Financial liabilities included in other payables and accruals	79,843	—	—	—	79,843
Long-term payables	—	—	—	17,326	17,326
	<u>291,751</u>	<u>45,637</u>	<u>81,545</u>	<u>17,326</u>	<u>436,259</u>
	31 December 2009				
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	30,761	30,593	—	61,354
Trade payables	43,419	1,586	276	—	45,281
Dividends payable	66,245	—	—	—	66,245
Financial liabilities included in other payables and accruals	56,072	—	—	—	56,072
Long-term payables	—	—	—	12,978	12,978
	<u>165,736</u>	<u>32,347</u>	<u>30,869</u>	<u>12,978</u>	<u>241,930</u>

31 December 2008

	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	—	11,021	11,812	—	22,833
Trade payables	39,942	1,177	466	—	41,585
Dividends payable	66,245	—	—	—	66,245
Financial liabilities included in other payables and accruals	41,724	—	—	—	41,724
Long-term payables	—	—	—	10,566	10,566
	<u>147,911</u>	<u>12,198</u>	<u>12,278</u>	<u>10,566</u>	<u>182,953</u>

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 70%. Net debt includes interest-bearing borrowings, trade payables and other payables and accruals, less cash and cash equivalents, and excludes discontinued operation. Capital includes equity attributable to owners of the Company. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	31 December			31 May
	2008	2009	2010	2011
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank loans	22,048	60,000	80,000	70,000
Trade payables	41,585	45,281	52,413	77,447
Other payables and accruals	74,807	98,606	133,681	157,032
Less: Cash and cash equivalents	(76,803)	(80,088)	(92,661)	(76,658)
Net debt	61,637	123,799	173,433	227,821
Equity attributable to owners of the Company	169,438	232,642	119,850	152,812
Capital and net debt	<u>231,075</u>	<u>356,441</u>	<u>293,283</u>	<u>380,633</u>
Gearing ratio	26.7%	34.7%	59.1%	59.9%

41. EVENTS AFTER THE REPORTING PERIOD

- (a) On 29 June 2011, the authorised share capital of our Company was changed to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each.
- (b) On 1 July 2011, a total of 10,590,000 share options were granted, as further detailed in Note 30 to the Financial Information.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 May 2011.

Yours faithfully
ERNST & YOUNG
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected (i) the consolidated net tangible assets of the Group after the completion of the Global Offering; and (ii) the forecast earnings per Share of the Group for the year ending 31 December 2011 as if the Global Offering had taken place on 1 January 2011.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position and results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 May 2011. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group.

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 May 2011	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	RMB'000	RMB'000	RMB	(HK\$ equivalent)
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on an Offer Price of HK\$1.65 per Share. . .	150,918	402,946	553,864	0.41	0.50
Based on an Offer Price of HK\$2.20 per Share. . .	150,918	549,057	699,975	0.52	0.64

Notes:

- The audited consolidated net tangible assets attributable to owners of the Company as at 31 May 2011 is arrived at after deducting the intangible assets of RMB1,894,000 from the audited consolidated net assets of RMB152,812,000 as at 31 May 2011, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK\$1.65 and HK\$2.20, respectively, after deduction of the estimated underwriting fees and related expenses payable by the Company. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1.00 to RMB0.8217, the prevailing rate quoted by the People's Bank of China (the "PBOC") on 7 September 2011.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,335,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be offered for sale upon exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8217, the prevailing rate quoted by the PBOC on 7 September 2011.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share of the Group for the year ending 31 December 2011 has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2011. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial results of the Group.

**Forecast for the year ending
31 December 2011**

Forecast consolidated profit attributable to owners
of the Company (*Note 1*)not less than RMB113.8 million
(equivalent to HK\$138.5 million)

Unaudited pro forma forecast earnings per Share
(*Note 2*)not less than RMB0.085
(equivalent to HK\$0.104)

Notes:

1. The forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2011 is extracted from the paragraph headed “Profit Forecast for the Year Ending December 31, 2011” in the section headed “Financial Information”. The bases and assumptions on which the above forecast for the year ending 31 December 2011 has been prepared are summarized in Appendix III to this prospectus.
2. The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2011 and on the assumptions that a total of 1,335,000,000 Shares were in issue during the year ending 31 December 2011. The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8217, the prevailing rate quoted by the PBOC on 7 September 2011.

**C. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, prepared for inclusion in this prospectus in respect of the Group's unaudited pro forma financial information.



18th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

15 September 2011

The Directors
Xiao Nan Guo Restaurants Holdings Limited
Merrill Lynch Far East Limited
Standard Chartered Securities (Hong Kong) Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets and unaudited pro forma forecast earnings per share (the “Unaudited Pro Forma Financial Information”) of Xiao Nan Guo Restaurants Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which have been prepared by the directors of the Company (the “Directors”), for illustrative purposes only, to provide information about how the Global Offering of 335,000,000 shares of HK\$0.01 each in the capital of the Company might have affected the financial information of the Group presented, for inclusion in Section A and B of Appendix II to the prospectus of the Company dated 15 September 2011 (the “Prospectus”). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 May 2011 or any future dates; or
- the forecast earnings per share of the Group for the year ending 31 December 2011 or any future periods.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

You may find our forecast profits attributable to equity holders of our Company for the year ending December 31, 2011 in the section headed “Financial Information — Profit Forecast for the Year Ending December 31, 2011” in this prospectus.

BASES AND ASSUMPTIONS

The Directors have prepared the forecast of the Group’s consolidated profit attributable to owners of the Company for the year ending 31 December 2011 based on the audited consolidated results of the Group for the five-month period ended 31 May 2011, the unaudited consolidated results of the Group for one-month ended 30 June 2011 and a forecast of the consolidated results of the Group for the remaining six-month period ending 31 December 2011. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as summarized in Appendix I to this prospectus and is based on the following principal assumptions:

- (i) there will be no material changes in existing political, legal, fiscal, market or economic conditions in the People’s Republic of China (the “PRC”) or any other country or territory where the Group carry on our business or with which the Group have arrangements or agreements, which may have a material adverse effect on our business;
- (ii) there will be no material changes in the bases or rates of taxation or duties, both direct or indirect, in the PRC or any other country or territory where the Group carry on our business, except as otherwise disclosed in this memorandum;
- (iii) there will be no material changes in the rates of inflation, interest or foreign currency exchange in the PRC from those prevailing as at the last audited reporting date;
- (iv) the Group’s operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Group, including but not limited to the occurrence of natural disasters, epidemics or serious accidents; and
- (v) the Group’s operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in the section headed “Risk Factors” in the Prospectus.

LETTER FROM OUR AUDITORS AND REPORTING ACCOUNTANTS

The following is the text of a letter received from the reporting accountants of the Company, Ernst & Young, prepared for inclusion in this prospectus in connection with the profit forecast.



18th Floor
Two International Finance Centre
8 Finance Street
Central, Hong Kong

15 September 2011

The Directors
Xiao Nan Guo Restaurants Holdings Limited
Merrill Lynch Far East Limited
Standard Chartered Securities (Hong Kong) Limited

Dear Sirs,

We have reviewed the calculations of and the accounting policies adopted in arriving at the forecast of the consolidated profit attributable to owners of Xiao Nan Guo Restaurants Holdings Limited (the “Company”, together with its subsidiaries, hereinafter collectively referred to as the “Group”) for the year ending 31 December 2011 (the “Profit Forecast”) as set out in the subsection headed “Profit Forecast for the Year Ending December 31, 2011” under the section headed “Financial Information” in the prospectus of the Company dated 15 September 2011 (the “Prospectus”) for which the directors of the Company (the “Directors”) are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 “Accountants’ Report on Profit Forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the five-month period ended 31 May 2011, the unaudited consolidated results of the Group for the one-month period ended 30 June 2011 and a forecast of the consolidated results of the Group for the remaining six-month period ending 31 December 2011.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in the Section “Bases and Assumptions” of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 15 September 2011, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

LETTER FROM THE JOINT SPONSORS

The following is the text of a letter, prepared for inclusion in this prospectus by Merrill Lynch Far East Limited and Standard Chartered Securities (Hong Kong) Limited in connection with the profit forecast of the Group for the year ending December 31, 2011.

Merrill Lynch Far East Limited

15/F Citibank Tower
3 Garden Road
Central, Hong Kong

**Standard Chartered Securities
(Hong Kong) Limited**

15/F Two International Finance Centre
8 Finance Street
Central, Hong Kong

The Directors

Xiao Nan Guo Restaurants Holdings Limited

September 15, 2011

Dear Sirs,

We refer to the forecast (the “Forecast”) of the consolidated profit attributable to owners of Xiao Nan Guo Restaurants Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ending December 31, 2011 as set out in the subsection headed “Profit Forecast for the Year Ending December 31, 2011” in the section entitled “Financial Information” in the prospectus issued by the Company dated September 15, 2011.

The Forecast, for which the Directors are solely responsible, has been prepared by them based on the audited consolidated results of the Group for the five months ended May 31, 2011, the unaudited consolidated results of the Group for the month ended June 30, 2011 and forecast of the consolidated results of the Group for the remaining six months ending December 31, 2011.

We have discussed with you the bases upon which the Forecast has been made. We have also considered the letter dated September 15, 2011 addressed to you and us from Ernst & Young regarding the accounting policies and calculations upon which the Forecast has been based.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Forecast, for which you as the Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully

For and on behalf of
Merrill Lynch Far East Limited
Julian Lee
Managing Director

For and on behalf of
**Standard Chartered Securities
(Hong Kong) Limited**
Richard Kao
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 30 June 2011 of the property interests of the Group. As described in section “Documents Available for Inspection” in Appendix VII, a copy of the full valuation report will be made available for public inspection.



Jones Lang LaSalle Sallmanns Limited
6/F Three Pacific Place
1 Queen's Road East Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

15 September 2011

The Board of Directors
Xiao Nan Guo Restaurants Holdings Limited
No.3337 Hongmei Road
Minhang District
Shanghai
The PRC

Dear Sirs,

In accordance with your instructions to value the properties in which Xiao Nan Guo Restaurants Holdings Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) have interests in the People’s Republic of China (the “PRC”) and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 June 2011 (the “date of valuation”).

Our valuation of the property interests represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

We have attributed no commercial value to the property interests, which are leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

As the Company is in compliance with paragraph 3(b) of Practice Note 16 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and section 6 of Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in our valuation report in this Prospectus, of which summaries are included in the Summary of values and the certificates for leased properties.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Tenancy Agreements relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Jingtian & Gongcheng, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of

Jones Lang LaSalle Sallmanns Limited

Paul L. Brown

B.Sc. FRICS FHKIS

Chief Valuation Adviser

Eddie T.W. Yiu

MRICS MHKIS RPS (GP)

Associate Director

Note: Paul L. Brown is a Chartered Surveyor who has 28 years' experience in the valuation of properties in the PRC and 31 years of property valuation experience in Hong Kong and the United Kingdom as well as relevant experience in the Asia-Pacific region.

Eddie T.W. Yiu is a Chartered Surveyor who has 17 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests rented and occupied by the Group in the PRC

No. Property	Capital value in existing state as at 30 June 2011 RMB
1. 49 leased properties located in the PRC	No commercial value
Sub-total:	<u><u>Nil</u></u>

Group II — Property interests rented and occupied by the Group in Hong Kong

No. Property	Capital value in existing state as at 30 June 2011 RMB
2. 9 leased properties located in Hong Kong	No commercial value
Sub-total:	<u><u>Nil</u></u>
Grand Total:	<u><u>Nil</u></u>

Notes:

- Subsequent to the date of valuation, the Group has entered into 3 Tenancy Agreements with 3 independent third parties to rent 3 properties for restaurant purpose. Please refer to page IV-7.

VALUATION CERTIFICATE

Group I — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2011														
				<i>RMB</i>														
1.	49 leased properties located in the PRC	<p>The properties comprise 48 restaurants (with production, office, storage and ancillary areas) and another 1 office premises with a total gross floor area of approximately 100,083.96 sq.m., which were mainly completed in various stages between 1920s and 2000s.</p> <p>Details of uses and gross floor areas of the properties are listed as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Production</td> <td style="text-align: right;">2,125.77</td> </tr> <tr> <td>Office</td> <td style="text-align: right;">4,028.7</td> </tr> <tr> <td>Storage</td> <td style="text-align: right;">575.38</td> </tr> <tr> <td>Restaurant</td> <td style="text-align: right;">92,497.33</td> </tr> <tr> <td>Ancillary</td> <td style="text-align: right;">856.78</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>100,083.96</u></td> </tr> </tbody> </table>	Use	Area (sq.m.)	Production	2,125.77	Office	4,028.7	Storage	575.38	Restaurant	92,497.33	Ancillary	856.78	Total:	<u>100,083.96</u>	The properties are currently occupied by the Group for production, office, storage, restaurant and ancillary purposes.	No commercial value
Use	Area (sq.m.)																	
Production	2,125.77																	
Office	4,028.7																	
Storage	575.38																	
Restaurant	92,497.33																	
Ancillary	856.78																	
Total:	<u>100,083.96</u>																	
		<p>The properties are rented to the Group from various independent third parties and a connected party (together as the “Lessors”) for various terms with the latest expiry date on 29 February 2026.</p>																

Notes:

1. Pursuant to various Tenancy Agreements, 49 properties with a total gross floor area of approximately 100,083.96 sq.m. are leased to the Group from various independent third parties and a connected party for various terms with the expiry dates between 31 December 2011 and 29 February 2026 for production, office, storage, restaurant and ancillary uses.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the properties issued by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - i) For 13 properties with a total gross floor area of approximately 22,888.08 sq.m., the Lessors have provided the Building Ownership Certificates and the Tenancy Agreements have been registered with the relevant local authorities. The relevant Tenancy Agreements are legal, valid and enforceable and there is no impediment for the Group to occupy and utilize these properties;
 - ii) For 32 properties with a total gross floor area of approximately 66,228.13 sq.m., the Lessors have provided the Building Ownership Certificates but the Tenancy Agreements have not been registered with the relevant local authorities. The relevant Tenancy Agreements are legal, valid and enforceable. The non-registration of the Tenancy Agreements will not affect the validity of the Tenancy Agreements. However, according to PRC laws and regulations, it may result in monetary penalty; and
 - iii) For 4 properties with a total gross floor area of approximately 10,967.75 sq.m., the Lessors have not provided Building Ownership Certificates. The absence of proper title documents may result in invalidation of the said Tenancy Agreements of the properties.

VALUATION CERTIFICATE

Group II — Property interests rented and occupied by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2011										
				<i>RMB</i>										
2.	9 leased properties located in Hong Kong	<p>The properties comprise 9 restaurants and an office premise with a total gross floor area of approximately 5,811.73 sq.m., which were mainly completed in various stages between 1980 and 2007.</p> <p>Details of uses and gross floor areas of the properties are listed as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Use</th> <th style="text-align: right;">Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Office</td> <td style="text-align: right;">574.4</td> </tr> <tr> <td>Restaurant</td> <td style="text-align: right;">5,051.53</td> </tr> <tr> <td>Storage</td> <td style="text-align: right;"><u>185.8</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u>5,811.73</u></td> </tr> </tbody> </table>	Use	Area (sq.m.)	Office	574.4	Restaurant	5,051.53	Storage	<u>185.8</u>	Total:	<u>5,811.73</u>	The properties are currently occupied by the Group for office, storage and restaurant purposes.	No commercial value
Use	Area (sq.m.)													
Office	574.4													
Restaurant	5,051.53													
Storage	<u>185.8</u>													
Total:	<u>5,811.73</u>													
		<p>The properties are rented to the Group from various independent third parties (the “Lessors”) for various terms with the latest expiry date on 17 July 2017.</p>												

Note:

- Pursuant to various Tenancy Agreements, 9 properties with a total gross floor area of approximately 5,811.73 sq.m. are leased to the Group from various independent third parties for various terms with the expiry dates between 29 February 2012 and 17 July 2017 for office, storage and restaurant uses.

VALUATION CERTIFICATE

Property interests rented and occupied by the Group in the PRC after the date of valuation

Property	Description and tenure	Particulars of occupancy
3 leased properties located in the PRC	<p>The properties comprise 3 restaurants with a total gross floor area of approximately 5,845.18 sq.m., which were completed in about 2000s.</p> <p>The properties are rented to the Group from various independent third parties (the “Lessors”) for terms with the expiry dates between 30 June 2018 and 31 December 2031.</p>	The properties are currently occupied by the Group for restaurant purpose.

Notes:

1. Pursuant to 3 Tenancy Agreements, the properties with a total gross floor area of approximately 5,845.18 sq.m. are leased to the Group from various independent third parties for terms with the expiry dates between 30 June 2018 and 31 December 2031 for restaurant purpose.
2. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the property issued by the Company’s PRC legal advisers, which contains, inter alia, the following:
 - i. For a property with a gross floor area of approximately 1,113 sq.m., the Lessor has provided the Building Ownership Certificate and the Tenancy Agreement has been registered with the relevant local authorities. The relevant Tenancy Agreement is legal, valid and enforceable and there is no impediment for the Group to occupy and utilize the this property; and
 - ii. For 2 properties with a total gross floor area of approximately 4,732.18 sq.m., the Lessors have provided the Building Ownership Certificates but the Tenancy Agreements have not been registered with the relevant local authorities. The relevant Tenancy Agreements are legal, valid and enforceable. The non-registration of the Tenancy Agreements will not affect the validity of the Tenancy Agreements. However, according to PRC laws and regulations, it may result in monetary penalty.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 February, 2010 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on August 30, 2011. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting or by the Directors, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

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The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

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(ix) Proceedings of the Board

The Board may meet for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

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- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

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(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the Board.

(h) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

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The accounting records shall be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the Board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

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Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The Board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

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The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The Board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the Board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

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Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and

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payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installments is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the Board may decide.

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If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

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(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

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(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

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The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury

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shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in

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the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

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The undertaking for the Company is for a period of twenty years from 9 February, 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its

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business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the

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right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

We were incorporated as an exempted company in the Cayman Islands under the Companies Law with limited liability on February 2, 2010. Our principal place of business is 3337 Hongmei Road, Minhang District, Shanghai, PRC. We have established a place of business in Hong Kong at Suites 3201-5, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and we registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on May 20, 2011. Ms. Brenda Wu, the administration manager of Xiao Nan Guo Holdings HK of Suites 3201-5, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong has been appointed as our agent for the acceptance of service of process in Hong Kong.

As we were incorporated in the Cayman Islands, we operate subject to Cayman Islands law and our constitution comprising the Memorandum and Articles of Association. A summary of the relevant provisions of our constitution and relevant aspects of Companies Law is set out in Appendix V to this prospectus.

2. Changes in Share Capital of our Company

- (a) As at the date of our incorporation, the authorized share capital of our Company was US\$10,000,000 divided into 1,000,000,000 shares of par value of US\$0.01 each.
- (b) On February 2, 2010, one share of US\$0.01 credited as fully paid was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber, which was transferred to China Wealth on the same day.
- (c) On June 29, 2011, 99 shares of par value US\$0.01 were allotted and issued to China Wealth, credited as fully paid.
- (d) On June 29, 2011, the authorized share capital of our Company was increased to HK\$100,000,000 by the creation of 10,000,000,000 Shares of par value HK\$0.01 each.
- (e) On June 29, 2011, our Company allotted and issued 780 Shares of par value HK\$0.01 credited as fully paid to China Wealth and immediately upon the issue of such Shares, our Company repurchased from China Wealth the 100 fully paid shares of US\$0.01 at a price of HK\$7.80 (i.e. HK\$0.078 per share) which was paid out of the proceeds of the issue of the 780 Shares of par value HK\$0.01 and the 100 shares of par value US\$0.01 were cancelled.
- (f) On June 29, 2011, the authorized but unissued share capital of our Company was diminished by the cancellation of all the 1,000,000,000 unissued shares of par value US\$0.01 each in the share capital of our Company, leaving an authorized share capital of our Company of HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each.
- (g) On June 29, 2011, our Company allotted and issued 999,220 shares of par value HK\$0.01 credited as fully paid to China Wealth.
- (h) Upon completion of the Global Offering and the Capitalization Issue but not taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options granted under the Pre-IPO Share Option Schemes and the Share Option Scheme, our issued share capital will be HK\$13,350,000 comprising 1,335,000,000 Shares, rank *pari passu* and credited as fully paid.

Save as disclosed in this Appendix, there has been no alteration in our share capital since our incorporation.

3. Changes in Share Capital of Our Subsidiaries

Our subsidiaries are listed in the accountants' report, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital or the registered capital of the subsidiaries of our Company have taken place within two years preceding the date of this prospectus:

- (a) Shanghai Maison De L'Hui Restaurant Management Co., Ltd. (上海慧公館餐飲管理有限公司) was established in the PRC on January 5, 2010 as a limited liability company. The initial amount of registered capital on incorporation was RMB1,000,000 which was fully paid up;
- (b) Ningbo Haishu Xiao Nan Guo Restaurant Management Co., Ltd. (寧波市海曙小南國餐飲管理有限公司) was established in the PRC on December 13, 2010 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000 which was fully paid up;
- (c) Nanjing Jiangning Xiao Nan Guo Restaurant Co., Ltd. (南京市江寧區小南國餐飲有限公司) was established in the PRC on January 12, 2011 as a limited liability company. The initial amount of registered capital on incorporation was RMB1,000,000 which was fully paid up;
- (d) Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. (上海昕怡小南國餐飲管理有限公司) was established in the PRC on March 28, 2011 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000 which was fully paid up;
- (e) Shanghai Songjiang Xiao Nan Guo Restaurant Co., Ltd. (上海松江小南國餐飲有限公司) was established in the PRC on March 28, 2011 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000 which was fully paid up;
- (f) Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd. (上海寶山小南國餐飲有限公司) was established in the PRC on May 23, 2011 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000;
- (g) Shenzhen Xiao Nan Guo Restaurant Management Co., Ltd. (深圳市小南國餐飲管理有限公司) was established in the PRC on June 24, 2011 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000; and
- (h) Shanghai Zhabei Xiao Nan Guo Restaurant Management Limited (上海閘北小南國餐飲管理有限公司) was established in the PRC on August 10, 2011 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

4. Written Resolutions of the Shareholders of Our Company Passed on August 30, 2011

Pursuant to the written resolutions of the shareholders of our Company passed on August 30, 2011, approving among other matters:

- (a) the Articles, the relevant provisions of which are summarized in Appendix V to this prospectus, were adopted in substitution for and to the exclusion of the existing Articles conditional on the Listing of the Shares on the Stock Exchange on the Listing Date.
- (b) conditional upon (1) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and (2) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional or waived and none of the Underwriting Agreements is terminated in accordance with its terms or otherwise:
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors are authorized to allot and issue the Offer Shares pursuant to the Global Offering and any Shares which are required to be issued if the Over-allotment Option is exercised;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “Share Option Scheme” in this Appendix, were approved and adopted and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/ amend the Share Option Scheme from time to time as required by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred thereto; (iv) allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles, or pursuant to the exercise of any options which have been granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted, Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of our Company immediately following completion of the Global Offering and the Capitalization Issue (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to any options which have been granted under the Pre-IPO Share Option Schemes or may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate, whichever is the earliest;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on

which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Capitalization Issue and the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to any options which have been granted under the Pre-IPO Share Option Schemes or may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable law of the Cayman Islands to be held, or the passing of an ordinary resolution of the Shareholders in a general meeting revoking, varying or renewing such mandate which is the earliest.

- (e) the extension of the general mandate to allot, issue and deal with the Shares as mentioned in paragraph (c) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following the Capitalization Issue and the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to any options which have been granted under the Pre-IPO Share Option Schemes or may be granted under the Share Option Scheme); and
- (f) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors are authorized to capitalize the sum of HK\$9,990,000 standing to the credit of the share premium account of our Company and apply the same to pay up in full at par 999,000,000 Shares for allotment and issue to the Shareholders whose names appeared on the register of members of our Company at the close of business on September 26, 2011 (or as they might direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholders in our Company and such Shares to be allotted and issued shall rank *pari passu* in all respects with existing issued shares.

Immediately following the Global Offering becoming unconditional and the issue of Shares as mentioned herein being made, but without taking into account of any Shares that may be issued pursuant to the Over-allotment Option or pursuant to any options which may be granted under Pre-IPO Share Option Schemes and the Share Option Scheme, the authorized share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital will be HK\$13,350,000 divided into 1,335,000,000 Shares, all fully paid or credited as fully paid and 8,665,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted pursuant to the Pre-IPO Share Option Schemes and the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of our Company and no issue of Shares which would effectively alter the control of our Company will be made without the prior approval of the members of our Company in a general meeting.

5. Reorganization

In preparation for the listing of the Shares on the Stock Exchange, the companies comprising our Group underwent a reorganization and our Company became the holding company of our Group. Our Reorganization involved the following major steps:

- (a) Our Company was incorporated as an exempted company in the Cayman Islands on February 2, 2010 with an authorized share capital of US\$10,000,000 divided into 1,000,000,000 Shares of US\$0.01 each.
- (b) On February 2, 2010, one share of US\$0.01 credited as fully paid was allotted and issued to Codan Trust Company (Cayman) Limited as the initial subscriber, which was transferred to China Wealth on the same day.
- (c) On June 29, 2011, the authorized share capital of our Company was increased to HK\$100,000,000 by the creation of 10,000,000,000 Shares of par value HK\$0.01 each. On the same date, our Company allotted and issued 99 shares of US\$0.01 each credited as fully paid and 780 Shares of par value HK\$0.01 each credited as fully paid to China Wealth and repurchased from China Wealth the 100 fully paid shares of US\$0.01 and the authorized share capital of our Company was reduced by the cancellation of all the 1,000,000,000 unissued shares of par value US\$0.01 each, leaving an authorized share capital of our Company of HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each.
- (d) On June 29, 2011, our Company allotted and issued 999,220 Shares of par value HK\$0.01 credited as fully paid to China Wealth.
- (e) On August 29, 2011, China Wealth issued 85,387 ordinary shares to each of Sunshine Property and Moon Glory in consideration of the repurchase of 56,000 Series A Preferred Shares and 29,387 Series B Preferred Shares from Sunshine Property and the repurchase of 85,387 Series B Preferred Shares from Moon Glory by China Wealth, and the cancellation of the Series A Preferred Shares and the Series B Preferred Shares after the repurchase.
- (f) By way of distribution in specie effected by China Wealth on August 29, 2011 of the entire issued share capital that China Wealth held in our Company, all the then shareholders of China Wealth became the direct shareholders of our Company in proportion to their then shareholdings in China Wealth, namely:

Name of shareholders	Number of shares (shareholding percentage in the Company rounded to the nearest three decimal places)
Expert City	110,347.5 shares (11.035%)
Fast Glow	5,000 shares (0.500%)
Full Health	87,013.75 shares (8.701%)
Well Reach	97,013.75 shares (9.701%)
Value Boost	509,851 shares (50.985%)
Elite Land	20,000 shares (2.000%)
Sunshine Property	85,387 shares (8.539%)
Moon Glory	85,387 shares (8.539%)

- (g) Conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors will be authorized to capitalize HK\$9,990,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 999,000,000 Shares for allotment and issue to those Shareholders whose names appeared on our register of members as at the close of business on September 26, 2011 (or as they might direct).

Please refer to the paragraph headed “Pre-listing Reorganization” in the section headed “History and Development” in this prospectus for more details of the reorganization arrangements undergone by the Company in preparation for the Listing.

6. Repurchase by Our Company of Its Own Securities

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by special approval of a particular transaction. Our Company's sole listing will be on the Stock Exchange.

Note: Pursuant to a resolution in writing passed by the shareholders of our Company on August 30, 2011, a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorizing any repurchase by our Company of Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal value of our Company's share capital in issue and to be issued immediately following completion of the Capitalization Issue and the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option or pursuant to any options which have been granted under the Pre-IPO Share Option Schemes or may be granted pursuant to the Share Option Scheme), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held, or when revoked or varied by ordinary resolution of the shareholders of our Company, whichever shall first occur.

Under the Listing Rules and the Companies Ordinance, the shares which are proposed to be repurchased by a company must be fully paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have general authority from the Shareholders of our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value and the assets of our Company and/or the earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders of our Company as a whole.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of our Group's current financial position as disclosed in this prospectus and taking into account our Group's current working capital position, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on our Group's working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on our Group's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate to our Group.

(d) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell Shares to our Company or the subsidiaries of our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified us that he has a present intention to sell Shares to our Company, or has undertaken to do so.

No purchase of Shares has been made by our Company within six months prior to the date of this prospectus.

If as a result of a securities repurchase a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers. Accordingly, the Shareholder or a group of the Shareholders of our Company acting in concert could obtain or consolidate our Company's control and may become obliged to make a mandatory offer in accordance with rule 26 of the Hong Kong Code on Takeovers and Mergers and the provision may apply as a result of any such increase. Our Directors are not aware of any consequences of repurchases which would arise under the Hong Kong Code on Takeovers and Mergers.

(e) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 1,335,000,000 Shares in issue immediately after completion of the Global Offering but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme, could accordingly result in up to 133,500,000 Shares being repurchased by our Company during the course of the period prior to the date on which such Repurchase Mandate expires or terminates as mentioned in the paragraph headed "Written resolutions of the shareholders of our Company passed on August 30, 2011" in this Appendix.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**



The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are, or may be, material:

- (a) a sale and purchase agreement dated February 3, 2010 entered into between Ms. Wang and Xiao Nan Guo HK R, pursuant to which Ms. Wang transferred 5,000,000 shares of Wisecorp to Xiao Nan Guo HK R at a consideration of HK\$5,000,000;
- (b) a sale and purchase agreement dated February 12, 2010 entered into between Nan Feng and our Company, pursuant to which Nan Feng transferred one share of Xiao Nan Guo HK R to the Company at a consideration of US\$0.01;
- (c) a share transfer agreement dated February 26, 2010 entered into between Hang Lik and Wisecorp, pursuant to which Hang Lik transferred 25% equity interests of Xiao Nan Guo WFOE to Wisecorp at a consideration of RMB1.25 million;
- (d) an agreement dated June 29, 2010 entered into among Xiao Nan Guo Holdings BVI, Shanghai Xiao Nan Guo Restaurant, Sunshine Property, Beijing Shining, Ms. Wang and China Wealth, pursuant to which Sunshine Property and Beijing Shining agreed to waive their respective rights under certain investment agreements and shareholders' agreements;
- (e) a share transfer agreement dated July 9, 2010 entered into between Ms. Wang and Xiao Nan Guo WFOE, pursuant to which Ms. Wang transferred 93.4% equity interests of Shanghai Xiao Nan Guo Restaurant to Xiao Nan Guo WFOE at a consideration of RMB37.36 million;
- (f) a share transfer agreement dated July 9, 2010 entered into between Beijing Shining and Xiao Nan Guo WFOE, pursuant to which Beijing Shining transferred 5.6% equity interests of Shanghai Xiao Nan Guo Restaurant to Xiao Nan Guo WFOE at a consideration of RMB2.24 million;
- (g) a share transfer agreement dated July 9, 2010 entered into between Ms. Wang Huili and Xiao Nan Guo WFOE, pursuant to which Ms. Wang Huili transferred 1% equity interests of Shanghai Xiao Nan Guo Restaurant to Xiao Nan Guo WFOE at a consideration of RMB0.40 million;
- (h) a sale and purchase agreement dated August 10, 2010 entered into between Nan Feng, Elite Land and Sunshine Property (the "Vendors"), our Company as purchaser and China Wealth as issuer, pursuant to which the Vendors transferred an aggregate of 10,000 shares in Xiao Nan Guo Holdings BVI to our Company in consideration of our Company procuring China Wealth to issue 140,000 of its shares to the Vendors;
- (i) the financial adviser agreement dated August 12, 2011 entered into between our Company and CITIC Securities Corporate Finance (HK) Limited, pursuant to which CITIC Securities Corporate Finance (HK) Limited is engaged as our Company's financial adviser;

- (j) a trademark license agreement dated August 18, 2011 entered into between Ms. Wang and our Company, pursuant to which Ms. Wang has granted an exclusive license to our Company to use certain trademarks registered or applied to be registered in Hong Kong at RMB1.00 per annum, further details and background of which are set out in the section headed “Connected Transactions” in this prospectus;
- (k) a trademark license agreement dated August 18, 2011 entered into between Ms. Wang and our Company, pursuant to which Ms. Wang has granted an exclusive license to our Company to use certain trademarks registered or applied to be registered in the PRC at RMB1.00 per annum, further details and background of which are set out in the section headed “Connected Transactions” in this prospectus;
- (l) a call option deed dated September 5, 2011 entered into between Ms. Wang and our Company, pursuant to which Ms. Wang agreed to grant to our Company an exclusive and irrevocable option to acquire all or part of the issued share capital or registered capital held by Ms. Wang in two companies wholly-owned by Ms. Wang, further details and background of which are set out in the section headed “Relationship with Controlling Shareholders — Call Option Deed” in this prospectus;
- (m) a deed of non-competition dated September 5, 2011 entered into between the Controlling Shareholders and our Company, pursuant to which certain non-competition arrangements shall be implemented, particulars of which are set forth in the section headed “Relationship with Controlling Shareholders — Deed of Non-competition” in this prospectus;
- (n) a deed of indemnity dated September 5, 2011 made by Ms. Wang and Value Boost in favor of our Company (for ourselves and as trustee for each of our subsidiaries), pursuant to which Ms. Wang and Value Boost have agreed to indemnify our Group against certain taxes and other indemnities; and
- (o) the Hong Kong Underwriting Agreement.





2. Our Intellectual Property Rights

- (a) As of the Latest Practicable Date, our Group has been granted licenses to use the following trademarks which have been registered:

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Registration Date	Expiry Date
A  B 	Hong Kong	Ms. Wang	16, 43	300445437	June 24, 2005	June 23, 2015
小南國	Hong Kong	Ms. Wang	16	300897733	June 25, 2007	June 24, 2017
小南國	Hong Kong	Ms. Wang	42	200100839	May 31, 2000	May 31, 2017
XIAO NAN GUO	Hong Kong	Ms. Wang	16	300897724	June 25, 2007	June 24, 2017

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Trademark	Place of Registration	Registered Owner	Class	Registration Number	Registration Date	Expiry Date
XIAO NAN GUO	Hong Kong	Ms. Wang	42	2001B00840	May 31, 2000	May 31, 2017
小南國狀元樓	Hong Kong	Wai Chung Restaurant Investment Management Limited	43	300055737	July 31, 2003	July 30, 2013
上海小南国	Hong Kong	Ms. Wang	16, 43	301720106	September 22, 2010	September 21, 2020
A SHANGHAI MIN 上海小南国	Hong Kong	Ms. Wang	16, 43	301749231	October 29, 2010	October 28, 2020
B 上海小南国 SHANGHAI MIN						
C SHANGHAI MIN 上海小南国						
D 上海小南国 SHANGHAI MIN						
A  B 	Hong Kong	Ms. Wang	16, 43	301752435AA	November 2, 2010	November 1, 2020
A  B 	Hong Kong	Ms. Wang	16, 43	301752435AB	November 2, 2010	November 1, 2020
小南国	PRC	Ms. Wang	8	4638024	February 21, 2008	February 20, 2018
小南国	PRC	Ms. Wang	18	4638023	January 7, 2009	January 6, 2019
小南国	PRC	Ms. Wang	20	4638022	September 7, 2008	September 6, 2018
小南国	PRC	Ms. Wang	21	4638021	September 7, 2008	September 6, 2018
小南国	PRC	Ms. Wang	22	4638020	January 7, 2009	January 6, 2019

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Registration Date	Expiry Date
小南国	PRC	Ms. Wang	24	4638019	January 28, 2009	January 27, 2019
小南国	PRC	Ms. Wang	26	4638018	December 28, 2008	December 27, 2018
小南国	PRC	Ms. Wang	27	4638017	January 28, 2009	January 27, 2019
小南国 <i>Xiao Nan Guo</i>	PRC	Shanghai Rongyi	43	3937334	December 14, 2006	December 13, 2016
XIAO NAN GUO	PRC	Ms. Wang	3	4874962	April 21, 2009	April 20, 2019
XIAO NAN GUO	PRC	Ms. Wang	5	4874963	January 21, 2009	January 20, 2019
XIAO NAN GUO	PRC	Ms. Wang	6	4874964	August 28, 2008	August 27, 2018
XIAO NAN GUO	PRC	Ms. Wang	8	4874965	August 28, 2008	August 27, 2018
XIAO NAN GUO	PRC	Ms. Wang	9	4874966	August 28, 2008	August 27, 2018
XIAO NAN GUO	PRC	Ms. Wang	10	4874967	August 28, 2008	August 27, 2018
XIAO NAN GUO	PRC	Ms. Wang	11	4874968	August 28, 2008	August 27, 2018
XIAO NAN GUO	PRC	Ms. Wang	12	4874969	August 28, 2008	August 27, 2018
XIAO NAN GUO	PRC	Ms. Wang	14	4874970	January 28, 2009	January 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	16	4874971	January 28, 2009	January 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	18	4874972	May 7, 2009	May 6, 2019
XIAO NAN GUO	PRC	Ms. Wang	20	4874973	January 28, 2009	January 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	21	4874974	January 28, 2009	January 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	22	4874975	April 28, 2009	April 27, 2019




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Trademark	Place of Registration	Registered Owner	Class	Registration Number	Registration Date	Expiry Date
XIAO NAN GUO	PRC	Ms. Wang	24	4874976	April 21, 2009	April 20, 2019
XIAO NAN GUO	PRC	Ms. Wang	25	4874977	May 28, 2010	May 27, 2020
XIAO NAN GUO	PRC	Ms. Wang	26	4874978	April 28, 2009	April 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	27	4874979	April 21, 2009	April 20, 2019
XIAO NAN GUO	PRC	Ms. Wang	28	4874980	April 28, 2009	April 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	29	4874981	June 14, 2008	June 13, 2018
XIAO NAN GUO	PRC	Ms. Wang	30	4874982	June 14, 2008	June 13, 2018
XIAO NAN GUO	PRC	Ms. Wang	31	4874983	June 14, 2008	June 13, 2018
XIAO NAN GUO	PRC	Ms. Wang	32	4874984	June 14, 2008	June 13, 2018
XIAO NAN GUO	PRC	Ms. Wang	34	4874985	June 14, 2008	June 13, 2018
XIAO NAN GUO	PRC	Ms. Wang	35	4874986	March 7, 2009	March 6, 2019
XIAO NAN GUO	PRC	Ms. Wang	36	4874987	May 7, 2009	May 6, 2019
XIAO NAN GUO	PRC	Ms. Wang	37	4874988	May 7, 2009	May 6, 2019
XIAO NAN GUO	PRC	Ms. Wang	38	4874989	April 28, 2009	April 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	39	4874990	March 7, 2009	March 6, 2019
XIAO NAN GUO	PRC	Ms. Wang	40	4874991	April 28, 2009	April 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	41	4874992	April 28, 2009	April 27, 2019
XIAO NAN GUO	PRC	Ms. Wang	42	4874993	April 28, 2009	April 27, 2019

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Trademark	Place of Registration	Registered Owner	Class	Registration Number	Registration Date	Expiry Date
XIAO NAN GUO	PRC	Shanghai Rongyi	43	4758732	September 7, 2009	September 6, 2019
XIAO NAN GUO	PRC	Ms. Wang	44	4874994	May 7, 2009	May 6, 2019
XIAO NAN GUO	PRC	Ms. Wang	45	4874995	April 28, 2009	April 27, 2019
小南国集团	PRC	Shanghai Rongyi	43	4672278	December 28, 2008	December 27, 2018
小南国集团	PRC	Shanghai Rongyi	44	4672277	October 14, 2009	October 13, 2019
上海小南国	PRC	Shanghai Rongyi	43	4672275	January 7, 2010	January 6, 2020
上海小南国	PRC	Shanghai Rongyi	44	4672276	January 7, 2010	January 6, 2020
	PRC	Shanghai Rongyi	43	4758729	August 28, 2009	August 27, 2019
上海小南国	PRC	Shanghai Rongyi	43	4758731	August 28, 2009	August 27, 2019
SHANGHAI XIAO NAN GUO	PRC	Shanghai Rongyi	43	4758728	August 28, 2009	August 27, 2019
王氏小南国	PRC	Shanghai Rongyi	43	1595872	June 28, 2001	June 27, 2021
海派小南国	PRC	Shanghai Rongyi	43	1595871	June 28, 2001	June 27, 2021
	PRC	Shanghai Rongyi	43	4758730	October 28, 2009	October 27, 2019
	PRC	Ms. Wang	43	1141769	January 7, 1998	January 6, 2018






Trademark	Place of Registration	Registered Owner	Class	Registration Number	Registration Date	Expiry Date
慧公馆	PRC	Shanghai Rongyi	08	7801585	March 21, 2011	March 20, 2021
慧公馆	PRC	Shanghai Rongyi	16	7801584	January 14, 2011	January 13, 2021
慧公馆	PRC	Shanghai Rongyi	20	7801583	January 14, 2011	January 13, 2021
慧公馆	PRC	Shanghai Rongyi	21	7801582	January 14, 2011	January 13, 2021
慧公馆	PRC	Shanghai Rongyi	29	7801812	March 7, 2011	March 6, 2021
慧公馆	PRC	Shanghai Rongyi	30	7801811	December 21, 2010	December 20, 2020
慧公馆	PRC	Shanghai Rongyi	31	7801810	March 7, 2011	March 6, 2021
慧公馆	PRC	Shanghai Rongyi	32	7801809	December 14, 2010	December 13, 2020
慧公馆	PRC	Shanghai Rongyi	33	7801808	December 14, 2010	December 13, 2020
慧公馆	PRC	Shanghai Rongyi	35	7801807	January 28, 2011	January 27, 2021
慧公馆	PRC	Shanghai Rongyi	40	7801806	March 7, 2011	March 6, 2021
慧公馆	PRC	Shanghai Rongyi	41	7801805	January 14, 2011	January 13, 2021









Trademark	Place of Registration	Registered Owner	Class	Registration Number	Registration Date	Expiry Date
慧公馆	PRC	Shanghai Rongyi	43	7711769	January 7, 2011	January 6, 2021
慧公馆	PRC	Shanghai Rongyi	44	7801804	January 28, 2011	January 27, 2021
慧公馆	PRC	Shanghai Rongyi	45	7801803	January 28, 2011	January 27, 2021
小南国壹号	PRC	Shanghai Rongyi	43	7750091	January 21, 2011	January 20, 2021
小南国印象	PRC	Shanghai Rongyi	43	7750090	January 21, 2011	January 20, 2021
小小南国	PRC	Shanghai Rongyi	43	7783495	January 28, 2011	January 27, 2021
XIAO NAN GUO	PRC	Shanghai Rongyi	33	8062625	February 14, 2011	February 13, 2021
X N G	PRC	Shanghai Rongyi	43	8062605	March 21, 2011	March 20, 2021
红运南国	PRC	Shanghai Rongyi	43	8062594	March 21, 2011	March 20, 2021

(b) As of the Latest Practicable Date, the Group has been granted licenses to use the following trademarks for which applications for registration have been made:

Trademark	Place of Application	Applicant	Class	Application Date	Application Number
南小館 The Dining Room	Hong Kong	Ms. Wang	43, 44	April 29, 2011	301902825
南味小館 The Dining Room	Hong Kong	Ms. Wang	43, 44	May 3, 2011	301904193

Trademark	Place of Application	Applicant	Class	Application Date	Application Number
慧公馆	PRC	Shanghai Rongyi	29	June 9, 2010	8377836
慧公馆	PRC	Shanghai Rongyi	30	June 9, 2010	8377402
慧公馆	PRC	Shanghai Rongyi	32	June 9, 2010	8377390
慧公馆	PRC	Shanghai Rongyi	33	June 9, 2010	8377361
慧公馆	PRC	Shanghai Rongyi	43	May 19, 2010	8311703
慧公馆	PRC	Shanghai Rongyi	44	June 9, 2010	8377190
慧 公 馆	PRC	Shanghai Rongyi	43	May 19, 2010	8311764
慧 公 馆	PRC	Shanghai Rongyi	44	June 8, 2010	8372802
小南国	PRC	Shanghai Rongyi	43	February 8, 2010	8062458
小南国	PRC	Shanghai Rongyi	43	February 8, 2010	8062535







Trademark	Place of Application	Applicant	Class	Application Date	Application Number
小 南 园	PRC	Shanghai Rongyi	43	February 8, 2010	8062553
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	3	June 8, 2010	8372774
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	5	June 8, 2010	8372771
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	6	June 8, 2010	8372750
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	8	June 7, 2010	8369174
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	9	June 7, 2010	8369148
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	10	June 7, 2010	8369134
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	11	June 7, 2010	8369122
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	12	June 7, 2010	8369092
 MAISON DE LHUI 慕公馆	PRC	Shanghai Rongyi	14	June 7, 2010	8369066

Trademark	Place of Application	Applicant	Class	Application Date	Application Number
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	16	June 7, 2010	8369035
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	18	June 7, 2010	8369006
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	20	June 7, 2010	8368960
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	21	June 4, 2010	8364229
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	22	June 4, 2010	8364198
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	24	June 4, 2010	8364162
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	25	June 4, 2010	8363913
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	26	June 7, 2010	8368934
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	27	June 4, 2010	8363537
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	28	June 4, 2010	8363430
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	31	June 4, 2010	8363413

Trademark	Place of Application	Applicant	Class	Application Date	Application Number
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	34	June 4, 2010	8363393
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	35	June 3, 2010	8360877
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	36	June 3, 2010	8360840
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	37	June 3, 2010	8360827
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	38	June 4, 2010	8363328
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	39	June 3, 2010	8360807
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	40	June 3, 2010	8360780
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	41	June 4, 2010	8363363
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	42	June 3, 2010	8360713
 MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	45	June 3, 2010	8360684
MAISON DE LHUI M 公馆	PRC	Shanghai Rongyi	29	June 9, 2010	8377144

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Trademark	Place of Application	Applicant	Class	Application Date	Application Number
MAISON DE L'HUI	PRC	Shanghai Rongyi	30	June 9, 2010	8377101
MAISON DE L'HUI	PRC	Shanghai Rongyi	32	June 9, 2010	8376948
MAISON DE L'HUI	PRC	Shanghai Rongyi	33	June 9, 2010	8376898
MAISON DE L'HUI	PRC	Shanghai Rongyi	43	May 19, 2010	8311722
MAISON DE L'HUI	PRC	Shanghai Rongyi	44	June 9, 2010	8376809
	PRC	Shanghai Rongyi	43	May 19, 2010	8311775
	PRC	Shanghai Rongyi	44	June 8, 2010	8372779
	PRC	Shanghai Rongyi	43	September 28, 2010	8707491
	PRC	Shanghai Rongyi	43	September 28, 2010	8707515
	PRC	Shanghai Rongyi	44	May 30, 2011	9530638
	PRC	Shanghai Rongyi	43	September 28, 2010	8707525

Trademark	Place of Application	Applicant	Class	Application Date	Application Number
上海小南国 SHANGHAI XIAONAN GUO	PRC	Shanghai Rongyi	43	September 28, 2010	8707552
	PRC	Shanghai Rongyi	29	June 8, 2010	8372895
	PRC	Shanghai Rongyi	30	June 8, 2010	8372882
	PRC	Shanghai Rongyi	32	June 8, 2010	8372852
	PRC	Shanghai Rongyi	33	June 8, 2010	8372824
	PRC	Shanghai Rongyi	43	May 19, 2010	8311741
	PRC	Shanghai Rongyi	44	June 8, 2010	8372814
南小館	PRC	Shanghai Rongyi	43	May 31, 2011	9536779
南小館	PRC	Shanghai Rongyi	44	May 31, 2011	9536850
南味小館	PRC	Shanghai Rongyi	43	May 31, 2011	9536510

Trademark	Place of Application	Applicant	Class	Application Date	Application Number
南味小館	PRC	Shanghai Rongyi	44	May 31, 2011	9536596
南方小館	PRC	Shanghai Rongyi	43	May 30, 2011	9530952
南方小館	PRC	Shanghai Rongyi	44	May 30, 2011	9531224
南小館 The Dining Room	PRC	Shanghai Rongyi	43	May 31, 2011	9536884
南小館 The Dining Room	PRC	Shanghai Rongyi	44	May 31, 2011	9536839
南味小館 The Dining Room	PRC	Shanghai Rongyi	43	May 31, 2011	9536618
南味小館 The Dining Room	PRC	Shanghai Rongyi	44	May 31, 2011	9536740
小南国美	PRC	Shanghai Rongyi	44	January 14, 2005	4463551

- (c) As of the Latest Practicable Date, we were the registered owner of the following domain name(s):

Domain Name	Period of Registration
www.xiaonanguo.com	March 17, 2005 to March 17, 2012
www.shanghaiimin.cn	January 26, 2011 to January 26, 2012
www.xiaonanguoclub.com	August 14, 2009 to August 14, 2014

The contents of the website(s), registered or licensed, do not form part of this prospectus.

Except as aforesaid, there are no other trade or service marks, other intellectual or industrial property rights which are or may be material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT THE GROUP'S ENTERPRISES IN THE PRC

Our Company has the following subsidiaries established in the PRC, the basic information of which as at the Latest Practicable Date is set out below:

1. Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. (上海浦東小南國餐飲有限公司)

Nature	Limited liability company
Date of incorporation	December 29, 1997
Term of operation	From December 29, 1997 to December 28, 2017
Total investment amount	RMB5,000,000
Registered Capital	RMB5,000,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant in Shanghai, the PRC
Legal representative	Wu Wen

2. Shanghai Xiao Nan Guo Restaurant Co., Ltd. (上海小南國餐飲有限公司)

Nature	Limited liability company
Date of incorporation	April 5, 2002
Term of operation	From April 5, 2002 to April 4, 2012
Total investment amount	RMB30,000,000
Registered Capital	RMB30,000,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant
Legal Representative	Ms. Wang

3. Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd. (上海新區小南國餐飲管理有限公司)

Nature	Limited liability company
Date of incorporation	August 12, 2003
Term of operation	From August 12, 2003 to August 11, 2013
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant and provision of food catering services in Shanghai, PRC
Legal representative	Wang Huili

4. **Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd.** (上海小南國海之源餐飲管理有限公司)
- | | |
|------------------------------------|---|
| Nature | Limited liability company |
| Date of incorporation | September 15, 2004 |
| Term of operation | From September 15, 2004 to September 14, 2014 |
| Total investment amount | RMB5,000,000 |
| Registered Capital | RMB5,000,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurant |
| Legal Representative | Ms. Wang |
5. **Shanghai Jing'an Xiao Nan Guo Restaurant Co., Ltd.** (上海靜安小南國餐飲有限公司)
- | | |
|------------------------------------|--|
| Nature | Limited liability company |
| Date of incorporation | October 21, 2004 |
| Term of operation | From October 21, 2004 to April 20, 2011 |
| Total investment amount | RMB2,000,000 |
| Registered Capital | RMB2,000,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurant in Shanghai, PRC |
| Legal representative | Wang Huili |
6. **Shanghai Zhonghuan Huimin Restaurant Management Co., Ltd.** (上海中環匯璿餐飲管理有限公司)
- | | |
|------------------------------------|--|
| Nature | Limited liability company |
| Date of incorporation | May 23, 2005 |
| Term of operation | From May 23, 2005 to unspecified date |
| Total investment amount | RMB1,000,000 |
| Registered Capital | RMB1,000,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurant and provision of food catering services in Shanghai, PRC |
| Legal representative | Ms.Wang |
7. **Shanghai Xiao Nan Guo Nutritional Food Co., Ltd.** (上海小南國營養餐食品有限公司)
- | | |
|------------------------------------|--|
| Nature | Limited liability company |
| Date of incorporation | March 9, 2006 |
| Term of operation | From March 9, 2006 to March 8, 2026 |
| Total investment amount | RMB3,000,000 |
| Registered Capital | RMB3,000,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of food processing and sale of meal box in Shanghai, the PRC |
| Legal representative | Ms.Wang |

- 8. Shanghai Xuhui Xiao Nan Guo Restaurant Management Co., Ltd. (上海徐匯小南國餐飲管理有限公司)**
- | | |
|------------------------------------|--|
| Nature | Limited liability company |
| Date of incorporation | August 11, 2006 |
| Term of operation | From August 11, 2006 to August 10, 2016 |
| Total investment amount | RMB500,000 |
| Registered Capital | RMB500,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurant and provision of food catering services in Shanghai, PRC |
| Legal representative | Wang Huili |
- 9. Beijing Xiao Nan Guo Restaurant Management Co., Ltd. (北京小南國餐飲管理有限公 司)**
- | | |
|------------------------------------|--|
| Nature | Limited liability company |
| Date of incorporation | October 11, 2006 |
| Term of operation | From October 11, 2006 to October 10, 2026 |
| Total investment amount | RMB2,000,000 |
| Registered Capital | RMB2,000,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurant and provision of food catering services in Beijing |
| Legal representative | Wang Huili |
- 10. Shanghai Jinshan Xiao Nan Guo Restaurant Co., Ltd. (上海金山小南國餐飲有限公 司)**
- | | |
|------------------------------------|--|
| Nature | Limited liability company |
| Date of incorporation | December 25, 2007 |
| Term of operation | From December 25, 2007 to December 24, 2017 |
| Total investment amount | RMB500,000 |
| Registered Capital | RMB500,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurant in Shanghai, the PRC |
| Legal representative | Ms.Wang |
- 11. Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. (上海虹梅小南國餐飲有限公 司)**
- | | |
|------------------------------------|--|
| Nature | Limited liability company |
| Date of incorporation | April 17, 2008 |
| Term of operation | From April 17, 2008 to April 16, 2028 |
| Total investment amount | RMB5,000,000 |
| Registered Capital | RMB5,000,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurant in Shanghai, PRC |
| Legal representative | Ms.Wang |

12. Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd. (上海長寧小南國餐飲有限公司)

Nature	Limited liability company
Date of incorporation	July 23, 2008
Term of operation	From July 23, 2008 to July 22, 2018
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant in Shanghai, PRC
Legal representative	Ms.Wang

13. Shanghai Hongkou Xiao Nan Guo Restaurant Co., Ltd. (上海虹口小南國餐飲有限公司)

Nature	Limited liability company
Date of incorporation	August 14, 2008
Term of operation	From August 14, 2008 to August 13, 2018
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant in Shanghai, the PRC
Legal representative	Ms.Wang

14. Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd. (南京小南國匯璿餐飲有限公司)

Nature	Limited liability company
Date of incorporation	September 17, 2008
Term of operation	From September 17, 2008 to September 16, 2018
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant in Jiangsu, the PRC
Legal representative	Ms.Wang

15. Suzhou Ligongdi Xiao Nan Guo Restaurant Co., Ltd. (蘇州李公堤小南國餐飲有限公司)

Nature	Limited liability company
Date of Incorporation	October 15, 2008
Term of operation	From October 15, 2008 to October 15, 2018
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant in Jiangsu, the PRC
Legal representative	Ms.Wang

16. Dalian Shidai Xiao Nan Guo Restaurant Co., Ltd. (大連時代小南國餐飲有限公司)

Nature	Limited liability company
Date of incorporation	July 30, 2009
Term of operation	From July 30, 2009 to July 29, 2019
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant in Liaoning, the PRC
Legal representative	Ms.Wang

17. Shanghai Maison De L'Hui Restaurant Management Co., Ltd. (上海慧公館餐飲管理有限公司)

Nature	Limited liability company
Date of incorporation	January 5, 2010
Term of operation	From January 5, 2010 to January 4, 2018
Total investment amount	RMB1,000,000
Registered Capital	RMB1,000,000
Attributable interest of our Group	100%
Scope of business	catering enterprises management and business consulting in Shanghai, the PRC
Legal representative	Ms.Wang

18. Ningbo Haishu Xiao Nan Guo Restaurant Management Co., Ltd. (寧波市海曙小南國餐飲管理有限公司)

Nature	Limited liability company
Date of incorporation	December 13, 2010
Term of operation	From December 13, 2010 to December 12, 2020
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	restaurant and enterprise management in Zhejiang, the PRC
Legal representative	Ms.Wang

- 19. Nanjing Jiangning Xiao Nan Guo Restaurant Co., Ltd. (南京江寧區小南國餐飲有限公司)**
- | | |
|------------------------------------|---|
| Nature | Limited liability company |
| Date of incorporation | January 12, 2011 |
| Term of operation | From January 12, 2011 to January 11, 2021 |
| Total investment amount | RMB1,000,000 |
| Registered Capital | RMB1,000,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurant in Jiangsu, the PRC |
| Legal representative | Ms.Wang |
- 20. Shanghai Songjiang Xiao Nan Guo Restaurant Co., Ltd. (上海松江小南國餐飲有限公司)**
- | | |
|------------------------------------|---|
| Nature | Limited liability company |
| Date of incorporation | March 28, 2011 |
| Term of operation | From March 28, 2011 to March 27, 2031 |
| Total investment amount | RMB500,000 |
| Registered Capital | RMB500,000 |
| Attributable interest of our Group | 100% |
| Scope of business | operation of chain restaurants in Shanghai, the PRC |
| Legal representative | Ms. Wang |
- 21. Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. (上海昕怡小南國餐飲管理有限公司)**
- | | |
|------------------------------------|--|
| Nature | Limited liability company |
| Date of incorporation | March 28, 2011 |
| Term of operation | From March 28, 2011 to March 27, 2021 |
| Total investment amount | RMB500,000 |
| Registered Capital | RMB500,000 |
| Attributable interest of our Group | 100% |
| Scope of business | catering enterprises management and business consulting in Shanghai, the PRC |
| Legal representative | Ms.Wang |

22. Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd. (上海寶山小南國餐飲有限公司)

Nature	Limited liability company
Date of incorporation	May 23, 2011
Term of operation	From May 23, 2011 to May 22, 2031
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	catering enterprises management
Legal representative	Ms. Wang

23. Shenzhen Xiao Nan Guo Restaurant Management Co., Ltd. (深圳市小南國餐飲管理有限公司)

Nature	Limited liability company
Date of incorporation	June 24, 2011
Term of operation	From June 24, 2011 to June 24, 2021
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	catering enterprises management and business consulting
Legal representative	Ms. Wang

24. Shanghai Zhabei Xiao Nan Guo Restaurant Management Limited (上海閘北小南國餐飲管理有限公司)

Nature	Limited liability company
Date of incorporation	August 10, 2011
Term of operation	From August 10, 2011 to August 9, 2031
Total investment amount	RMB500,000
Registered Capital	RMB500,000
Attributable interest of our Group	100%
Scope of business	operation of chain restaurant in Shanghai, the PRC
Legal representative	Ms. Wang

D. FURTHER INFORMATION ABOUT THE GROUP'S ENTERPRISES IN HONG KONG

Our Company has the following subsidiaries established in Hong Kong, the basic information of which as at the Latest Practicable Date is set out below:

1. Xiao Nan Guo Management Company Limited (小南國管理有限公司)

Nature	Limited liability company
Date of Incorporation:	May 5, 2000
Place of Incorporation:	Hong Kong
Company No.:	714829
Business Registration No.:	30948418-000-05-10-3
Authorized Share Capital:	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Issued Share Capital:	HK\$200 divided into 200 shares of HK\$1.00 each
Directors:	Ms. Wang, Wang Zhongying
Shareholder(s):	Xiao Nan Guo Holdings HK

2. Wisecorp Worldwide Development Limited (協和環球發展有限公司)

Nature	Limited liability company
Date of Incorporation:	November 24, 2004
Place of Incorporation:	Hong Kong
Company No.:	935769
Business Registration No.:	35132874-000-11-10-5
Authorized Share Capital:	HK\$5,000,000 divided into 5,000,000 ordinary shares of HK\$1.00 each
Issued Share Capital:	HK\$5,000,000 divided into 5,000,000 ordinary shares of HK\$1.00 each
Directors:	Ms. Wang
Shareholder(s):	Xiao Nan Guo HK R

3. Xiao Nan Guo Management (Kowloon) Limited (小南國管理(九龍)有限公司)

Nature	Limited liability company
Date of Incorporation:	February 8, 2005
Place of Incorporation:	Hong Kong
Company No.:	950951
Business Registration No.:	35338515-000-02-11-6
Authorized Share Capital:	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Issued Share Capital:	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Directors:	Ms. Wang, Wang Zhongying
Shareholder(s):	Xiao Nan Guo Holdings HK

4. Xiao Nan Guo Holdings Limited (小南國控股有限公司)

Nature	Limited liability company
Date of Incorporation:	March 14, 2005
Place of Incorporation:	Hong Kong
Company No.:	955635
Business Registration No.:	35425817-000-03-10-9
Authorized Share Capital:	HK\$500,000.00 divided into 500,000 shares of HK\$1.00 each
Issued Share Capital:	HK\$330,200 divided into 330,200 shares of HK\$1.00 each
Directors:	Ms. Wang, Wang Zhongying, Kang Jie
Shareholder(s):	Xiao Nan Guo Holdings BVI

5. Xiao Nan Guo (Causeway Bay) Management Limited (小南國(銅鑼灣)管理有限公司)

Nature	Limited liability company
Date of Incorporation:	March 15, 2005
Place of Incorporation:	Hong Kong
Company No.:	955674
Business Registration No.:	35425825-000-03-10-1
Authorized Share Capital:	HK\$300,000 divided into 300,000 shares of HK\$1.00 each
Issued Share Capital:	HK\$300,000 divided into 300,000 shares of HK\$1.00 each
Directors:	Ms. Wang, Wang Zhongying
Shareholder(s):	Xiao Nan Guo Holdings HK

6. Xiao Nan Guo (Kowloon Bay) Management Limited (小南國(九龍灣) 管理有限公司)

Nature	Limited liability company
Date of Incorporation:	July 24, 2007
Place of Incorporation:	Hong Kong
Company No.:	1152153
Business Registration No.:	38205658-000-07-10-2
Authorized Share Capital:	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Issued Share Capital:	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Directors:	Ms. Wang, Wang Zhongying
Shareholder(s):	Xiao Nan Guo Holdings HK

7. Xiao Nan Guo (Shatin) Management Limited (小南國(沙田) 管理有限公司)

Nature	Limited liability company
Date of Incorporation:	September 8, 2008
Place of Incorporation:	Hong Kong
Company No.:	1271024
Business Registration No.:	39774769-000-09-10-A
Authorized Share Capital:	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Issued Share Capital:	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Directors:	Ms. Wang, Wang Zhongying
Shareholder(s):	Xiao Nan Guo Holdings HK

8. Xiao Nan Guo (One Peking) Management Limited (小南國(北京道壹號)管理有限公司)

Nature	Limited liability company
Date of Incorporation:	June 10, 2009
Place of Incorporation:	Hong Kong
Company No.:	1344368
Business Registration No.:	50769226-000-06-10-1
Authorized Share Capital:	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Issued Share Capital:	HK\$1 in 1 share of HK\$1.00
Directors:	Ms. Wang, Wang Zhongying
Shareholder(s):	Xiao Nan Guo Holdings HK

E. SUMMARY OF THE NON-COMPLIANCE WITH THE COMPANIES ORDINANCE

A number of our subsidiaries incorporated in Hong Kong has previously failed to comply with the statutory requirements of the Companies Ordinance, details of which are summarized in the following tables.

1. Accounts-related Non-compliance Matters

Name(s) of the Group company(ies)	Details of the non-compliance	Maximum penalty for each instance of non-compliance	Relevant period of the non-compliance	Reasons for the breach(es)
(1) Wisecorp;	Failure to lay the audited accounts in the relevant company's annual general meetings and/or failure to lay audited accounts made up to a date falling not more than nine months under section 122 of the Companies Ordinance	Fine of HK\$300,000 and 12 months imprisonment	(1) Wisecorp (2005-2010);	Due to unintended and inadvertent omission of the relevant officer who was responsible for company secretarial and corporate administrative matters to arrange for audits of the relevant Group members within the time period as provided for under the Companies Ordinance
(2) Xiao Nan Guo Holdings HK;			(2) Xiao Nan Guo Holdings HK (2006-2010);	
(3) Xiao Nan Guo Management Company Limited;			(3) Xiao Nan Guo Management Company Limited (2001, 2004 and 2010);	
(4) Xiao Nan Guo (Causeway Bay) Management Limited;			(4) Xiao Nan Guo (Causeway Bay) Management Limited (2006-2010);	
(5) Xiao Nan Guo Management (Kowloon) Limited;			(5) Xiao Nan Guo Management (Kowloon) Limited (2006-2010);	
(6) Xiao Nan Guo (Kowloon Bay) Management Limited;			(6) Xiao Nan Guo (Kowloon Bay) Management Limited (2008-2010);	
(7) Xiao Nan Guo (Shatin) Management Limited;			(7) Xiao Nan Guo (Shatin) Management Limited (2009);	
(8) Xiao Nan Guo (One Peking) Management Limited			(8) Xiao Nan Guo (One Peking) Management Limited (2010)	

2. AGM-related Non-compliance Matters

Name(s) of the Group company(ies)	Details of the non-compliance	Maximum penalty for each instance of non-compliance	Relevant period of the non-compliance	Reasons for the breach(es)
(1) Wisecorp;	Failure to hold valid AGM pursuant to section 111 of the Companies Ordinance because the written resolution did not comply with section 111(6)	Fine of HK\$50,000	(1) Wisecorp (2010);	The relevant companies and the management did not receive competent and timely professional advice on the on-going compliance requirements under the Companies Ordinance from their then auditors and the company secretarial firm who were responsible for the relevant companies' accounting and company secretarial matters
(2) Xiao Nan Guo Holdings HK;			(2) Xiao Nan Guo Holdings HK (2006-2010);	
(3) Xiao Nan Guo Management Company Limited;			(3) Xiao Nan Guo Management Company Limited (2001 and 2010);	
(4) Xiao Nan Guo (Causeway Bay) Management Limited;			(4) Xiao Nan Guo (Causeway Bay) Management Limited (2007-2010);	
(5) Xiao Nan Guo Management (Kowloon) Limited;			(5) Xiao Nan Guo Management (Kowloon) Limited (2006 and 2008);	
(6) Xiao Nan Guo (Kowloon Bay) Management Limited;			(6) Xiao Nan Guo (Kowloon Bay) Management Limited (2008-2010);	
(7) Xiao Nan Guo (Shatin) Management Limited;			(7) Xiao Nan Guo (Shatin) Management Limited (2009);	
(8) Xiao Nan Guo (One Peking) Management Limited			(8) Xiao Nan Guo (One Peking) Management Limited (2010)	

3. General Non-compliance Matters

Name(s) of the Group company(ies)	Details of the non-compliance	Maximum penalty for non-compliance	Relevant period of the non-compliance	Reasons for the breach(es)
(1) Wisecorp;	Failure to file notice of the following corporate particulars or changes thereof: (a) changes in secretary and director; (b) changes in the particulars of secretary and director; (c) changes in the address of the registered office; (d) location of registers; and/or (e) increase in nominal share capital within the time specified in the Companies Ordinance.	(a) Fine of HK\$10,000 and a daily default fine of HK\$300 for continued default;	(1) Wisecorp (2005, 2007, 2009 and 2010)	The relevant companies and the management did not receive competent and timely professional advice on the on-going compliance requirements under the Companies Ordinance from their then auditors and the company secretarial firms who were responsible for the relevant companies' accounting and company secretarial matters
(2) Xiao Nan Guo Holdings HK;			(2) Xiao Nan Guo Holdings HK (2005, 2007-2009 and 2010)	
(3) Xiao Nan Guo Management Company Limited;			(3) Xiao Nan Guo Management Company Limited (2001, 2005, 2009 and 2010)	
(4) Xiao Nan Guo (Causeway Bay) Management Limited;			(4) Xiao Nan Guo (Causeway Bay) Management Limited (2005, 2007, 2009 and 2010)	
(5) Xiao Nan Guo Management (Kowloon) Limited;			(5) Xiao Nan Guo Management (Kowloon) Limited (2005, 2007, 2009 and 2010)	
(6) Xiao Nan Guo (Kowloon Bay) Management Limited;			(6) Xiao Nan Guo (Kowloon Bay) Management Limited (2007, 2009 and 2010)	
(7) Xiao Nan Guo (Shatin) Management Limited;			(7) Xiao Nan Guo (Shatin) Management Limited (2009 and 2010)	
(8) Xiao Nan Guo (One Peking) Management Limited			(8) Xiao Nan Guo (One Peking) Management Limited (2010)	

For further details on the previous instances of non-compliance with the Companies Ordinance and the proposed remedial actions by our Group, please see the section headed "Business — Legal Compliance — Hong Kong Regulatory Compliance".

F. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Particulars of Directors' Service Agreements**

Each of the executive Directors and non-executive Directors has entered into a service agreement with our Company commencing from the Listing Date for a term of three years, respectively.

Mr. Kang Jie, our executive Director is entitled to a director's fee. The current basic annual remunerations (excluding any discretionary bonus which may be paid) payable by our Group to the executive Directors and non-executive Directors are set out below. The executive Directors are entitled to participate in our Group's social insurance and accident insurance. All the Directors are entitled to directors' and officers' liability insurance schemes.

	<u>RMB</u>
Executive Director	
Ms. Wang Huimin (王慧敏)	Nil
Ms. Wu Wen (吴雯)	Nil
Mr. Kang Jie (康捷)	1,680,000
Non-executive Director	
Ms. Wang Huili (王慧莉)	Nil
Mr. Tang Donald Wei (唐偉)	Nil
Mr. Weng Xiangwei (翁向焯)	Nil

Each of the independent non-executive Director has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date and renewable by mutual agreement on annual basis. The current basic annual remuneration payable by our Group to the independent non-executive Directors are as follows:

	<u>US\$</u>
Independent Non-executive Director	
Mr. Wang Yu (王煜)	20,000
Mr. Wang Chiwei (王赤衛)	20,000
Mr. Tsang Henry Yuk Wong (曾玉煌)	20,000

2. Directors' Remuneration

The aggregate remunerations paid to the Directors by our Group in respect of the financial year ended December 31, 2010 were RMB991,000. The aggregate remunerations and benefits in kind which the Directors are entitled to receive for the financial year ending December 31, 2011 are estimated to be RMB1,776,000, excluding any discretionary bonuses which may be paid to the Directors.

3. Interests of Directors and Chief Executive in Our Share Capital

Immediately following completion of the Global Offering, the Capitalization Issue (without taking into account any Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option or options granted under Pre-IPO Share Option Schemes or may be

granted under the Share Option Scheme or Shares that may be taken by a person under the Global Offering which would affect disclosure in this section), the interests and short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, once the Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be as follows:

Name of Director	Nature of Interest	Number of Shares⁽¹⁾	Approximate percentage of shareholding
Ms. Wang ⁽²⁾	Interest in controlled corporation and Trustee	809,226,000(L)	60.62%
Wu Wen ⁽³⁾	Interest in controlled corporation	97,013,750(L)	7.27%
Kang Jie ⁽⁴⁾	Interest in controlled corporation	5,000,000(L)	0.37%

Note:

- (1) The letter “L” denotes long position of the directors in the Shares.
- (2) The entire issued share capital of Value Boost is held by the Trustee. Ms. Wang is the settlor and the beneficiary of The Wang Trust, and is deemed to be interested in the Shares held by it under the SFO. Ms. Wang is also interested in approximately 22.43% of the Company’s Shares as a trustee. Please see the section headed “Substantial Shareholders” for details.
- (3) Wu Wen owns the entire issued share capital of Brilliant South, which beneficially owns 100% equity interest in Well Reach, which in turn owns approximately 7.27% equity interest in our Company.
- (4) Kang Jie owns the entire issued share capital of Victor Merit, which beneficially owns 100% equity interest in Fast Glow, which in turn owns approximately 0.37% equity interest in our Company.

Shares Underlying the Pre-IPO Share Options ⁽¹⁾

Name of Director	Nature of Interest	Number of Shares Underlying the Pre-IPO Share Options
Kang Jie.	Beneficial interest	9,993,303

Note:

- (1) The Pre-IPO Share Options were granted under the Pre-IPO Share Option Schemes. The summary of the terms of the Pre-IPO Share Option Schemes and the terms of the Pre-IPO Share Options granted are set out in the section headed “G. Share Option Schemes” in this Appendix.

4. Substantial Shareholders

So far as the Directors are aware, information on the persons, not being Directors or the chief executive of our Company, who will have, immediately following completion of the Global Offering, the Capitalization Issue (without taking into account Shares that may be issued and allotted pursuant to the exercise of the Over-allotment Option or options granted under the Pre-IPO Share Option Schemes or may be granted under the Share Option Scheme or Shares that may be taken by a person under the Global Offering which would affect disclosure in this section) an interest or short position in the Shares and underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly interested in 10% 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 our Group will be as follows:

Name of shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
The Wang Trust ⁽¹⁾	Interest in controlled corporation ⁽¹⁾	509,851,000(L)	38.19%
Trustee ⁽¹⁾	Trustee ⁽¹⁾	509,851,000(L)	38.19%
Value Boost ⁽¹⁾	Beneficial owner	509,851,000(L)	38.19%
Ms. Wang ^{(1), (2), (3), (4) & (5)}	Interest in controlled corporation ⁽¹⁾	509,851,000(L)	38.19%
	Trustee ^{(2), (3), (4) & (5)}	299,375,000(L)	22.43%
Expert City ⁽²⁾	Beneficial owner	110,347,500(L)	8.27%
Fast Glow ⁽³⁾	Beneficial owner	5,000,000(L)	0.37%
Full Health ⁽⁴⁾	Beneficial owner	87,013,750(L)	6.52%
Well Reach ⁽⁵⁾	Beneficial owner	97,013,750(L)	7.27%
Sunshine Property	Beneficial owner	85,387,000(L)	6.40%
Moon Glory	Beneficial owner	85,387,000(L)	6.40%

Notes:

The letter “L” denotes long position in the Shares.

- (1) The entire issued share capital of Value Boost is held by the Trustee as the trustee of The Wang Trust. The Wang Trust is a trust established by Ms. Wang as settlor and the Trustee as trustee on August 27, 2011. The beneficiaries of The Wang Trust are Ms. Wang and in the event of her decease her personal representatives. Ms. Wang is deemed to be interested in 509,851,000 Shares held by Value Boost which is wholly-owned by the Trustee immediately upon completion of the Global Offering pursuant to Part XV of the SFO.
- (2) Ms. Wang holds on trust for Ever Project the entire issued share capital of Expert City, which owns approximately 8.27% equity interest in our Company. For details, please refer to sections headed “History and Development — Our Structure upon Completion of the Global Offering” and “Relationship with Controlling Shareholders — Controlling Shareholders” in this prospectus.
- (3) Ms. Wang holds on trust for Victor Merit the entire issued share capital of Fast Glow, which owns approximately 0.37% equity interest in our Company. For details, please refer to sections headed “History and Development — Our Structure upon Completion of the Global Offering” and “Relationship with Controlling Shareholders — Controlling Shareholders” in this prospectus.
- (4) Ms. Wang holds on trust for Wealth Boom the entire issued share capital of Full Health, which owns approximately 6.52% equity interest in our Company. For details, please refer to sections headed “History and Development — Our Structure upon Completion of the Global Offering” and “Relationship with Controlling Shareholders — Controlling Shareholders” in this prospectus.
- (5) Ms. Wang holds on trust for Brilliant South the entire issued share capital of Well Reach, which owns approximately 7.27% equity interest in our Company. For details, please refer to sections headed “History and Development — Our Structure upon Completion of the Global Offering” and “Relationship with Controlling Shareholders — Controlling Shareholders” in this prospectus.

5. Disclaimers

Except as disclosed in this prospectus:

- (a) none of our Directors or any of the experts referred to in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have been within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be so acquired, disposed of or leased;
- (b) none of our Directors or any of the experts referred to in the paragraph headed “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date to this prospectus which is significant in relation to our business;
- (c) none of the experts referred to in the paragraph headed “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group, save in connection with the Underwriting Agreements, nor is in the employment of an officer of our Company; and
- (d) none of our Directors, any of their associates (as defined in the Listing Rules) or any shareholder of our Company (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our Group’s five largest suppliers or five largest customers.

G. SHARE OPTION SCHEMES

Present Status of the Share Option Scheme

Application has been made to the Listing Committee for the listing of and permission to deal in 133,500,000 Shares, representing 10% of our Company’s issued share capital upon Listing, which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

1. Summary of Terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme adopted pursuant to the written resolutions of all the Shareholders of our Company passed on August 30, 2011 and adopted by a resolution of the Board on the same day. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules:

1. Purpose of the Share Option Scheme

- (a) The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that Eligible Participants (as defined below) had made or may make to the Group.

- (b) The Share Option Scheme will provide the Eligible Participants with an opportunity to acquire proprietary interests in our Company with the view to achieving the following principal objectives:
 - (i) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and
 - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are, will or expected to be beneficial to the Group.
- (c) For the purpose of the Share Option Scheme, “Eligible Participant” means any person who satisfies the eligibility criteria in paragraph 2 below.

2. *Who may join and basis for determining eligibility*

- (a) The Board may at its discretion grant options to: (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (“Affiliate”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.
- (b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).
- (c) Each grant of options to a connected person (with the meaning ascribed to it under the Listing Rules) of our Company, or any of his associates (with the meaning ascribed to it under the Listing Rules), must be approved in accordance with the requirements of the Listing Rules.
- (d) Should the Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements in paragraph 9 below.

3. *Grant of options*

- (a) On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time on a business day within 10 years commencing on the effective date of the Share Option Scheme to offer the grant of an option to any Eligible Participant as the Board may in its absolute discretion select in

accordance with the eligibility criteria set out in the Share Option Scheme. An offer shall be accepted when we receive the duly signed offer letter together with a non-refundable payment of HK\$10 (or such other sum in any currency as the Board may determine).

- (b) Subject to the provisions of the Share Option Scheme, the Listing Rules and any relevant laws and regulations, the Board may, on a case by case basis and at its discretion when offering the grant of an option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Share Option Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing):
- (i) the continuing eligibility of the grantee under the Share Option Scheme, and in particular, where the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the option (to the extent it has not already been exercised) shall lapse, subject to the requirements in paragraph 9 below;
 - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the option, failing which the option (to the extent that it has not already been exercised) shall lapse unless otherwise resolved to the contrary by the Board, subject to the requirements in paragraph 9 below;
 - (iii) in the event that the Eligible Participant is a corporation, that any change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (iv) in the event that the Eligible Participant is a trust, that any change of the beneficiary of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (v) in the event that the Eligible Participant is a discretionary trust, that any change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the Share Option Scheme;
 - (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and
 - (vii) if applicable, the satisfactory performance of certain obligations by the grantee.

- (c) The Board shall not offer the grant of an option to any Eligible Participant:
- (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the Listing Rules; or
 - (ii) within the period commencing one month immediately preceding the earlier of:
 - (1) the date of the Board meeting as such date is first notified to the Exchange in accordance with the Listing Rules for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (2) deadline for our Company to publish an announcement of its result for any year, half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.
- (d) Any grant of options to a connected person must be approved by all of our Company's independent non-executive directors (excluding any independent non-executive director who is a proposed grantee).

4. *Exercise Price*

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option and (iii) the nominal value of a Share on the date of grant. The exercise price shall also be subject to any adjustments made in a situation contemplated under paragraph 10 below.

5. *Maximum number of Shares*

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not, in aggregate, exceed 30% of our Company Shares in issue from time to time. No options may be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the said 30% limit being exceeded.
- (b) The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes involving

the issue or grant of options or similar rights over Shares or other securities by our Company shall not, in aggregate, exceed 10% of the Shares in issue as at the date of listing of the Shares (the “Scheme Mandate Limit”) unless shareholders’ approval has been obtained pursuant to sub-paragraph (d) below.

- (c) The Scheme Mandate Limit may be renewed by the shareholders of our Company in general meeting from time to time provided always that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of the approval of such renewal by the shareholders of our Company in general meeting. Upon such renewal, all options granted under the Share Option Scheme and any other share options schemes of our Company (including those exercised, outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share options of our Company) prior to the approval of such renewal shall not be counted for the purpose of calculating the Scheme Mandate Limit. A circular must be sent to the shareholders of our Company containing such relevant information from time to time as required by the Listing Rules.
- (d) The Board may seek separate shareholders’ approval in general meeting to grant options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by our Company before such approval is sought and our Company must issue a circular to the shareholders of our Company containing such relevant information from time to time as required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (e) No option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options already granted or to be granted to such Eligible Participant under the Share Option Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% in aggregate of the Shares in issue as at the date of such grant. Any grant of further share options above this limit shall be subject to certain requirements provided under the Listing Rules.
- (f) The maximum number of Shares referred to in sub-paragraph (a) shall be adjusted, in such manner as our Company’s auditors or our Company’s independent financial adviser shall confirm in writing that the adjustments satisfy the requirements set forth in paragraph 10.

6. *Time of exercise of option*

- (a) Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than 10 years from the date of grant of option.
- (b) There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, the Board may, on a case by case basis, make such grant

subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion.

7. *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option.

8. *Rights on ceasing to be an Eligible Participant*

Should the Board resolve that a grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the Share Option Scheme, our Company would (subject to any relevant laws and regulations) be entitled to deem any outstanding option or part thereof, granted to such grantee and to the extent not already exercised, as lapsed, subject to the requirements of paragraph 9 below.

9. *Rights on death/ceasing employment*

- (a) If the grantee (being an individual) dies before exercising the option in full, his or her legal personal representative(s) may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of 12 months following his death or such longer period as the Board may determine.
- (b) Subject to sub-paragraphs (c) and (d), if the grantee who is an employee ceases to be an employee for any reason other than his death, disability or the termination of his employment on one or more of the following grounds that:
 - (i) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his debts;
 - (ii) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraph (i) above;
 - (iii) a bankruptcy order has been made against the grantee in any jurisdiction; or
 - (iv) a petition for bankruptcy has been presented against the grantee in any jurisdiction;

the grantee may exercise the option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.

- (c) If the grantee is an employee, director, consultant, professional, agent, partner, adviser of or contractor to the Group or its Affiliate at the time of the grant of the relevant option(s) and his employment or service to our Company is terminated on the ground of disability, the grantee may exercise the option (to the extent exercisable as at the date on which such grantee ceases to be an employee, director, consultant, professional, agent, partner, adviser of or contractor to the Group or its Affiliate and not exercised) within 6 months following such cessation or such longer period as the Board may determine.
- (d) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate, then the option (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine.
- (e) If the grantee is an employee at the time of the grant of the relevant option(s), in the event that such grantee shall cease to be an employee but becomes, or continues to be, a director of the Group or an Affiliate, then the option(s) (to the extent exercisable as at the date on which such grantee ceases to be an employee and not exercised) granted prior to the date of his becoming a director of the Group or its Affiliate shall remain exercisable until its expiry in accordance with the provisions of the Share Option Scheme and the terms and conditions upon which such option(s) is granted unless the Board shall determine to the contrary.
- (f) If the grantee, who is a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate but not an employee, ceasing to be a director, consultant, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate (as the case may be) for any reason other than his death (in the case of a grantee being an individual) or disability (in the case of a grantee being a director or consultant of the Group or its Affiliate), the option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

10. Effects of alterations to capital

In the event of any alteration in our capital structure while an option remains exercisable, and such event arises from, including a capitalization of our Company profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of the share capital of our Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the options so far as unexercised; and/or the exercise price; and /or the method of exercise of the options; and/or the maximum number of Shares subject to the Share Option Scheme. Any adjustments required under this paragraph must give a grantee the same proportion of the equity capital as that to which that grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value or (unless with the prior approval from our shareholders in general meeting) to the extent that such adjustments are made to the advantage of the grantee. For the avoidance of doubt, the issue of securities as

consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalization issue, independent financial adviser appointed by our Company or our Company's auditors must confirm to our Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

11. Rights on a Takeover

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Hong Kong Code on Takeovers and Mergers), the grantee shall be entitled to exercise the option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Hong Kong Code on Takeovers and Mergers).

12. Rights on a Scheme of Arrangement

In the event of a compromise or arrangement between us and our members or creditors being proposed in connection with a scheme for reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), we shall give notice thereof to all grantees on the same date as it gives notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

13. Rights on a Voluntary Winding up

In the event notice is given by us to our shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up us, we shall forthwith give notice thereof to the grantee and the grantee may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant option (such notice to be received by our Company not later than two business days (excluding any period(s) of closure of our share registers) prior to the proposed meeting) exercise the option (to the extent exercisable as at the date of the notice to the grantee and not exercised) either in full or in part and we shall, as soon as possible and in any event no later than the business day (excluding any period(s) of closure of our share registers) immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

14. *Rights attaching to Shares upon exercise of an option*

Shares allotted upon the exercise of an option shall rank *pari passu* in all respects with the existing fully paid Shares in issue at the date of allotment.

15. *Lapse of options*

An option (to the extent such option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the exercise period;
- (b) the expiry of the periods referred to in paragraph 9;
- (c) the date of commencement of our Company's winding-up in respect of the situation contemplated in paragraph 13;
- (d) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 12;
- (e) the date of which the grantee who is an employee ceases to be an employee by reason of the termination of his employment on the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty;
- (f) the happening of any of the following events, unless otherwise waived by the Board:
 - (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the grantee (being a corporation);
 - (ii) the grantee (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts (within a meaning of section 178 of the Companies Ordinance or any similar provisions under the Companies Law) or otherwise become insolvent;
 - (iii) there is unsatisfied judgment, order or award outstanding against the grantee or our Company has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;
 - (iv) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-paragraphs (i), (ii) and (iii) above;
 - (v) a bankruptcy order has been made against the grantee or any director of the grantee (being a corporation) in any jurisdiction; or
 - (vi) a petition for bankruptcy has been presented against the grantee or any director of the grantee (being a corporation) in any jurisdiction;

- (g) the date on which a situation as contemplated under paragraph 7 arises;
- (h) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board; or
- (i) the date on which the Board resolves that the grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph 8.

16. Cancellation of options granted

The Board shall have the absolute discretion to cancel any options granted at any time if the grantee so agreed provided that where an option is cancelled and a new option is proposed to be issued to the same grantee, the issue of such new option may only be made with available but unissued Shares in the authorized share capital of our Company, and available ungranted options (excluding for this purpose all the cancelled options) within the limits referred to in paragraph 5.

17. Period of the Share Option Scheme

Options may be granted to Eligible Participants under the Share Option Scheme during the period of 10 years commencing on the effective date of the Share Option Scheme.

18. Alteration to Share Option Scheme and Termination

- (a) The Share Option Scheme may be altered in any respect by resolution of the Board except those specific provisions relating to matters in Rule 17.03 of the Listing Rules (or any other relevant provisions of the Listing Rules from time to time applicable) be altered to the advantage of grantees or prospective grantees except with the prior approval of the shareholders of our Company in general meeting.
- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the shareholders of our Company in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) We by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

19. Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the Share Option Scheme by our shareholders in a special general

meeting of our Company and is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares to be issued and allotted by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme.

20. Administration of the Share Option Scheme

The Share Option Scheme shall be subject to the administration of the Board or any committee established by the Board from time to time, whose decision (save as otherwise provided in the Share Option Scheme) shall be final and binding on all parties.

2. Summary of Terms of the Pre-IPO Share Option Schemes

Pursuant to the written resolutions of the shareholders of our Company passed on February 10, 2010 and March 15, 2011, the rules of two Pre-IPO Share Option Schemes were approved and adopted, respectively. The Pre-IPO Share Option Scheme adopted on March 15, 2011 was subsequently amended on August 10, 2011 pursuant to the written resolutions of the shareholders of our Company passed on July 29, 2011.

(a) Purpose and terms

The purpose of the Pre-IPO Share Option Schemes is to recognize the contribution of certain executives, employees and directors of the Group who are in full-time employment of the Group to the growth of the Group and/or to the listing of the Shares on the Stock Exchange by granting options to them as incentive or reward. The principal terms of the Pre-IPO Share Option Schemes, approved and adopted pursuant to the written resolutions of the shareholders of the Company passed on February 10, 2010 and March 15, 2011 (amended on August 10, 2011) respectively, are substantially the same as the terms of the Share Option Scheme except that:

- (i) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Schemes are 100,000,000 Shares, representing approximately 7.5% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the Capitalization Issue (assuming that the Over-allotment Option is not exercised);
- (ii) save for the options which have been granted prior to the Latest Practicable Date, no further options will be granted under the Pre-IPO Share Option Schemes on or after the Listing Date;
- (iii) an eligible participant is defined as any employee, consultant or advisers of the Group and any person the Group considered appropriate, and each of the eligible participants was required to pay RMB1.00 on the acceptance of the options granted under the Pre-IPO Share Option Schemes;
- (iv) options granted to any grantee under the Pre-IPO Share Option Scheme adopted on February 10, 2010 shall be within 10 years from the date of grant and subject to a vesting period starting from January 1, 2012 to July 1, 2015. In addition,

based on the Pre-IPO Share Option Scheme adopted on February 10, 2010, the Company has granted options to a resigned employee subject to a vesting period from January 1, 2012 to March 31, 2012 or within three months from the date of Listing (whichever is later).

- (v) options granted to any grantee under the Pre-IPO Share Option Scheme adopted on March 15, 2011 and amended on August 10, 2011 shall vest according to the following schedule:-
- (a) from July 1, 2012 to 10 years from the date of grant:-
- (1) 25% shall vest if the Company's net profit for the year ending December 31, 2011 reaches a specified target;
 - (2) 12.5% shall vest if the Company's net profit for the year ending December 31, 2011 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
 - (3) if the Company's net profit for the year ending December 31, 2011 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;
- (b) from July 1, 2013 to 10 years from the date of grant:-
- (1) 25% shall vest if the Company's net profit for the year ending December 31, 2012 reaches a specified target;
 - (2) 12.5% shall vest if the Company's net profit for the year ending December 31, 2012 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
 - (3) if the Company's net profit for the year ending December 31, 2012 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;
- (c) from July 1, 2014 to 10 years from the date of grant:-
- (1) 25% shall vest if the Company's net profit for the year ending December 31, 2013 reaches a specified target;
 - (2) 12.5% shall vest if the Company's net profit for the year ending December 31, 2013 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
 - (3) if the Company's net profit for the year ending December 31, 2013 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options; and

- (d) from July 1, 2015 to 10 years from the date of grant:-
- (1) 25% shall vest if the Company's net profit for the year ending December 31, 2014 reaches a specified target;
 - (2) 12.5% shall vest if the Company's net profit for the year ending December 31, 2014 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
 - (3) if the Company's net profit for the year ending December 31, 2014 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options.
- (vi) each option granted under the Pre-IPO Share Option Scheme mentioned in paragraph (a)(v) above is exercisable within 10 years from the date on which such option becomes vested.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing and permission to deal in 100,000,000 Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Schemes.

(b) Outstanding options under the Pre-IPO Scheme Option Schemes

As at the date of this prospectus, options to subscribe for an aggregate of 100,000,000 Shares (representing approximately 7.5% of the enlarged issued share capital of our Company immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised) at an exercise price between RMB1.00 to RMB1.10 for the Pre-IPO Share Option Scheme adopted on February 10, 2010 and an exercise price of RMB1.10 for the Pre-IPO Share Option Scheme adopted on March 15, 2011 and amended on August 10, 2011, have been granted under the Pre-IPO Share Option Schemes, respectively. All the options under the Pre-IPO Share Option Schemes were granted on or before August 15, 2011 and no further options will be granted under the Pre-IPO Share Option Schemes prior to the Listing Date.

Particulars of the outstanding options conditionally granted under the Pre-IPO Share Option Schemes are set out below:

Name of grantee	Position of grantee	Address	Number of underlying shares to be issued upon full exercises of the Pre-IPO Share Options	Approximate percentage of issued share capital of our Company immediately after completion of the Global Offering
Director of our Group				
1. Kang Jie (康捷)	Executive Director and Chief Executive Officer	No. 2, 625 Long, Taixing Road, Jing'an District, Shanghai, PRC	9,993,303	0.749%
Senior management of our Group who are not Directors				
2. Shao Shan (邵珊)	Vice President (operation & human resources management)	Room 802, No.3, 99 Branch Lane, 3215 Branch Lane, Hongmei Road, Shanghai, PRC	5,600,000	0.420%
3. Zhang Jun (張俊)	Vice President (finance, information technology and internal control)	No. 20, 65 Long, West Suzhou Road, Jing'an District, Shanghai, PRC	5,100,000	0.382%
4. Pan Qin (潘勤)	Vice President (production) and Chief Chef	Room 2503, No. 7, 89 Long, Anshun Road Shanghai, PRC	5,100,000	0.382%
5. Zhou Bin (周斌)	Vice President (marketing)	Room D, 19/F No. 3, 458 Lane Wanhangu, Shanghai, PRC	4,500,000	0.337%
6. Sun Yong (孫勇)	Vice-president of Development and Construction	Room 1401, No. 33, 883 Long, Daning Road, Shanghai, PRC	4,300,000	0.322%

	Name of grantee	Position of grantee	Address	Number of underlying shares to be issued upon full exercises of the Pre-IPO Share Options	Approximate percentage of issued share capital of our Company immediately after completion of the Global Offering
7.	Leng Yijia (冷怡佳)	Vice President, Secretary of the Board, General Counsel and Joint Company Secretary	No.16, 1188 Long, Tangshan Road, Yangpu District, Shanghai, PRC	3,818,722	0.286%
8.	Du Yu (杜煜)	Senior Director (supply chain)	Room 604, No. 34 Taishan Village No. 3, Shanghai, PRC	2,800,000	0.210%
9.	Guan Zhenyu (關振宇)	Senior Director (product development & strategic analysis)	Room 1401, No.3, 118 Long, Quyang Road, PRC	2,874,000	0.215%
Other employees of our Group					
10.	Hong Lifa (洪立法)	general manager of South China and overseas region	Room 601, 6/F, Block 13, Heng Fa Chuen, Chai Wan, Hong Kong	2,062,000	0.154%
11.	Liu Zhihao (劉志豪)	general manager of North China region	10B Meilihua Apartment, No. 89, Shuichen Road South, Shanghai, PRC	2,050,000	0.154%
12.	Dai Lihua (戴麗華)	general manager of the Maison De L'Hui brand and banquet sales	Room 802, No. 3, 99 Branch Lane, 3215 Lane, Hongmei Road, Shanghai, PRC	2,000,000	0.150%
13.	Dai Qi (戴琦)	general manager of East China region	Room 102, No. 8, 300 Long, Chengshan Road, Shanghai, PRC	2,000,000	0.150%

Name of grantee	Position of grantee	Address	Number of underlying shares to be issued upon full exercises of the Pre-IPO Share Options	Approximate percentage of issued share capital of our Company immediately after completion of the Global Offering
14. Li Zhichao (黎志超)	general manager of Shanghai Xin Di	Room 801, No. 15, Yi Dong Garden, 263 Long, Huanlong Road, Pudong, Shanghai, PRC	1,300,000	0.097%
15. Pan Zhe (潘哲)	director of construction department	Room 1101, No. 10, 2088 Long, Wan Hang Du Road, Shanghai, PRC	1,123,500	0.084%
16. Shi Jun (史軍)	director of human resources department	Room 502, No. 21, 298 Long, Xin Dong Road, Shanghai, PRC	1,068,164	0.080%
17. Deng Guoliang (鄧國亮)	director of production department	Room 402, No. 75, 988 Long, Dahua Road, Shanghai, PRC	1,003,872	0.075%
18. Chu Feiyan (諸飛燕)	director of training	Room 606, No. 228, Xinshi Road, Shanghai, PRC	1,000,000	0.075%

The shareholding of the Shareholders of the Company immediately following the Global Offering, assuming that the Over-allotment Option is not exercised, would be diluted by approximately 7% upon the exercise in full of the Pre-IPO Share Options. Assuming that (i) the Company had been listed on the Stock Exchange since January 1, 2011, and (ii) all the pre-IPO options were exercised in full on January 1, 2011, the forecast earnings per Share on a pro forma fully diluted basis, without taking into account any Shares which may be offered for sale upon exercise of the Over-allotment Option, would decrease from approximately RMB0.085 (equivalent to HK\$0.104) to approximately RMB0.079 (equivalent to HK\$0.096) for the year ending December 31, 2011.

The options granted under the Pre-IPO Share Option Schemes are subject to a variety of terms and conditions disclosed in the section headed “— 2. Summary of Terms of the Pre-IPO Share Option Schemes — (a) Purpose and terms”. According to such terms and conditions, the options shall vest according to varying schedules, the starting dates of which range from January 1, 2012 to July 1, 2015. Unvested options will lapse if the employment relationship of an option holder with the Company or its subsidiaries is terminated or upon occurrence of other events. We believe the investors shall consider the above factors in evaluation of the dilution effect of the Pre-IPO Share Options.

Save as disclosed above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Schemes or the Share Option Scheme as at the date of the prospectus.

H. WAIVERS FROM COMPLIANCE WITH THE COMPANIES ORDINANCE AND THE LISTING RULES

Pre-IPO Share Option Schemes

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A and paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance, this prospectus is required to include details of the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

We have granted options to 245 persons to subscribe for 100,000,000 Shares on the terms set out in “Summary of Terms of the Pre-IPO Share Option Schemes” in this Appendix. Except for those nine grantees who are Directors or senior management of our Group as disclosed in “Summary of Terms of the Pre-IPO Share Option Schemes” in this Appendix, no grantees under the Pre-IPO Share Option Schemes are directors or senior management or connected persons of our Group.

We have applied for (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance on the ground that disclosure of the names and addresses of the 227 grantees of the Pre-IPO Share Option Schemes who are not Directors or senior management or connected person of our Group, or any other employees of our Group with a right to subscribe for 1,000,000 Shares or more (such grantees to be collectively referred to as the “Grantees”) (the total number of Shares subject to the options granted to such Grantees being 42,306,439), as well as the number of Shares in respect of which options have been conditionally granted to each Grantee would be unduly burdensome for us due to the following reasons:

- (a) as the options granted under the Pre-IPO Share Option Schemes are in many instances considered as part of each Grantee’s remuneration package, individual information on such options is highly sensitive and confidential among the Grantees;

- (b) given 227 Grantees are involved, strict compliance with the applicable disclosure requirements under the Companies Ordinance on an individual basis in the prospectus will be costly and unduly burdensome on our Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing;
- (c) the grant and exercise in full of the options granted under the Pre-IPO Share Option Schemes will not cause any material adverse change in the financial position of our Company;
- (d) the lack of full compliance of the applicable disclosure requirements under the Listing Rules and the Companies Ordinance will not hinder our Company in providing an informed assessment of our Company's activities, assets and liabilities, financial position, management and prospects to its potential investors; and
- (e) the disclosure of key information of the options granted under the Pre-IPO Share Option Schemes, as described in the section headed "2. Summary of Terms of the Pre-IPO Share Option Schemes" in this Appendix should provide potential investors with sufficient information to make a relevant assessment of our Company in their investment decision-making process.

The Stock Exchange has granted the waiver to us on the following conditions:

- (a) on an individual basis, full details of all the options granted by our Company under the Pre-IPO Share Option Schemes to the Directors, senior management or connected persons of our Group or any other employees of our Group with a right to subscribe for 1,000,000 Shares or more, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, are disclosed in this prospectus;
- (b) in respect of the options granted by our Company to the Grantees other than those referred to in sub-paragraph (a), the following details are fully disclosed in this prospectus:
 - (i) the aggregate number of Grantees;
 - (ii) the number of Shares subject to such options;
 - (iii) the consideration paid for the grant of such options;
 - (iv) the exercise period for each option; and
 - (v) the exercise price for such options;
- (c) the dilution effect and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Schemes are disclosed in this prospectus;
- (d) the aggregate number of Shares subject to the outstanding options granted by our Company under the Pre-IPO Share Option Schemes and the percentage of our Company's issued share capital of which such number represents are disclosed in this prospectus;

- (e) a summary of the Pre-IPO Share Option Schemes is disclosed in this prospectus; and
- (f) the list of all the grantees who have been conditionally granted options to subscribe for Shares under the Pre-IPO Share Option Schemes, containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, will be made available for public inspection.

The SFC has issued a certificate of exemption under section 342A of the Companies Ordinance exempting the Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance subject to the conditions that:

- (aa) on individual basis, full details of all the options granted by our Company under the Pre-IPO Share Option Schemes to each of the Directors, senior management or connected persons of the Group or any other employees of the Group who have been granted options for 1,000,000 Shares or more be disclosed in this prospectus, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance;
- (bb) in respect of the options granted by our Company under the Pre-IPO Share Option Schemes to the Grantees other than those referred to in sub-paragraph (aa), the following details be disclosed in this prospectus:
 - (1) the aggregate number of Grantees;
 - (2) the number of Shares subject to the options;
 - (3) the consideration paid for the grant of the options;
 - (4) the exercise period of each option; and
 - (5) the exercise price for the options.
- (cc) a list of all the Grantees (including the persons referred to in sub-paragraph (aa) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Schemes, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies Ordinance be made available for public inspection in accordance with the section headed “Documents Available for Inspection” in Appendix VII to this prospectus.

I. OTHER INFORMATION**1. Estate Duty**

We have been advised that no material liability for estate duty is likely to fall on us or any of our subsidiaries in the PRC and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

2. Indemnities Given by Ms. Wang and Value Boost

Ms. Wang and Value Boost have, pursuant to a deed of indemnity referred to in the sub-section headed “Summary of Material Contracts” under the section headed “B. Further Information About Our Business” in this Appendix, jointly and severally given indemnities in favor of our Company (for ourselves and as trustee for our subsidiaries) in connection with, among other things,

- (i) any tax liability which might be payable by our Group resulting from any income, profit or gains earned, accrued or received and/or assets acquired on or before the date on which the Global Offering becomes unconditional (the “Effective Date”);
- (ii) certain estate duty which might be payable by our Group by virtue of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong;
- (iii) any liability which might be payable by our Group directly or indirectly resulting from, or relating to or in consequence of:-
 - (a) the reorganization arrangements undergone by our Group in preparation for the Listing as set forth in the section headed “History and Development — Pre-listing Reorganization” in this prospectus;
 - (b) any unlawful use of the real properties leased by our Group and/or non-compliance by our Group of any relevant land, construction or user regulations applicable to the properties leased by the relevant members of our Group prior to the Effective Date;
 - (c) any possible or alleged violation or non-compliance by any member of our Group with any Hong Kong or PRC laws or regulations on all matters prior to the Effective Date; and
- (iv) any liability which might be payable by our Group in respect of or arising directly or indirectly from any claim which is covered by the indemnities given under (i) to (iii) above.

The aforesaid deed of indemnity is conditional on the conditions set out in the paragraph headed “Conditions of the Global Offering” in the section headed “Structure and Conditions of the Global Offering” being fulfilled.

3. Litigation

Save as disclosed in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance is known by the Directors to be pending or threatened by or against any member of our Group.

4. Financial Adviser

CITIC Securities Corporate Finance (HK) Limited (“CITIC Securities”) has been appointed by us as our financial adviser in respect of the Global Offering. The appointment of CITIC Securities was not made pursuant to the requirements of the Listing Rules, and the appointment of CITIC Securities is separate and distinct from the appointment of the Joint Sponsors (which is required to be made by us pursuant to the Listing Rules). The Joint Sponsors are responsible for fulfilling their duties as sponsors to our application for the Listing, and the Joint Sponsors have not relied on any of the work performed by CITIC Securities in fulfilling those duties. CITIC Securities’ role in the Global Offering is different from that of the Joint Sponsors in that it focuses on providing strategic and financial advices to us in relation to the Global Offering.

5. Promoters

Our Company has no promoter as the term is defined under the Listing Rules.

6. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and any Shares which may fall to be issued pursuant to the exercise of any options granted under the Pre-IPO Share Option Schemes and may be granted under the Share Option Scheme.

7. Preliminary Expenses

The preliminary expenses of our Company are estimated to be approximately HK\$66,000, and are payable by our Company.

8. Qualifications of Experts

The following are the qualifications of the experts which have given their opinions or advice which are contained, or referred to, in this prospectus:

Expert	Qualification
Merrill Lynch Far East Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO. It is also a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Standard Chartered Securities (Hong Kong) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
Jones Lang LaSalle Sallmanns Limited	Property valuers
Euromonitor International	Research and analysis services provider
Conyers Dill & Pearman	Cayman Islands legal advisers
Jingtian & Gongcheng	PRC legal advisers
Deacons	Hong Kong legal advisers

9. Consents of Experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or valuation certificate(s) and/or the references to its name in the form and context in which they are respectively included.

As of the Latest Practicable Date, none of the experts referred to above have any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

11. Miscellaneous

Except as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid for either cash or a consideration other than cash;
- (b) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
- (d) since May 31, 2011 (being the date to which the latest audited consolidated financial statements of our Group were made up) there has not been any material adverse effect in the financial or trading position of our Group;
- (e) no founder, management or deferred shares or debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (f) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (h) there is no arrangement under which future dividends are waived or agreed to be waived;
- (i) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus; and
- (j) subject to the provisions of the Companies Law, the register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the paragraph headed “Consents of Experts” in Appendix VI to this prospectus and copies of the material contracts referred to in the paragraph headed “Summary of Material Contracts” in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles of Associations;
- (2) the accountants’ report issued by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (3) the report issued by Ernst & Young relating to our unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (4) the letters relating to the profit forecast of our Company, the texts of which are set out in Appendix III to this prospectus;
- (5) the audited financial statements of our Group for each of the three years ended December 31, 2008, 2009 and 2010 and the five months ended May 31, 2011;
- (6) a copy of the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of Cayman Islands company law referred to in Appendix V to this prospectus;
- (7) the PRC legal opinions issued by Jingtian & Gongcheng in respect of our general matters, property interests and taxation matters of our Group in the PRC;
- (8) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in Appendix IV to this prospectus and the full valuation report prepared by Jones Lang LaSalle Sallmanns Limited;
- (9) the rules of the Pre-IPO Share Option Schemes;
- (10) the rules of the Share Option Scheme;
- (11) the material contracts referred to in the paragraph headed “Summary of Material Contracts” in Appendix VI to this prospectus;
- (12) the service agreements and the letters of appointment referred to in the paragraph headed “Particulars of Directors’ Service Agreements” in Appendix VI to this prospectus;
- (13) the written consents referred to in the paragraph headed “Consents of Experts” in Appendix VI to this prospectus;

- (14) the Companies Law; and
- (15) the list of all the grantees who have been conditionally granted options to subscribe for Shares under the Pre-IPO Share Option Schemes, containing all details as required under the Listing Rules and Companies Ordinance.



上海 | 小南国
SHANGHAI MIN

Xiao Nan Guo Restaurants Holdings Limited