

# 上海 | 小南国

SHANGHAI MIN

INTERIM REPORT 2013



Xiao Nan Guo's third brand casual dining restaurant "the dining room" at Langham Place, Hong Kong

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

Incorporated in the Cayman Islands with limited liability

Stock Code: 3666



# CONTENTS

CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	3
MANAGEMENT DISCUSSION AND ANALYSIS	4
CONSOLIDATED INCOME STATEMENT	11
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	12
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	13
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	15
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	16
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	17
OTHER INFORMATION	38



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Wang Huimin (Chairlady)  
Ms. Wu Wen  
Mr. Kang Jie (Chief Executive Officer)

### Non-executive Directors

Ms. Wang Huili  
Mr. Weng Xiangwei  
Mr. Wang Hairong

### Independent Non-executive Directors

Mr. Tsang Henry Yuk Wong  
Mr. Wang Chiwei  
Mr. Wang Yu  
Mr. Chen Anjie

## JOINT COMPANY SECRETARIES

Ms. Leng Yijia  
Ms. Mok Ming Wai

## AUTHORIZED REPRESENTATIVES

Mr. Kang Jie  
Ms. Leng Yijia  
Mr. Zhang Jun (Alternate Authorized Representative)

## AUDIT COMMITTEE

Mr. Tsang Henry Yuk Wong (Chairman)  
Mr. Weng Xiangwei  
Mr. Wang Yu

## REMUNERATION COMMITTEE

Mr. Wang Yu (Chairman)  
Ms. Wang Huimin  
Mr. Wang Chiwei

## NOMINATION COMMITTEE

Mr. Wang Chiwei (Chairman)  
Ms. Wang Huimin  
Mr. Tsang Henry Yuk Wong

## EXECUTIVE COMMITTEE

Ms. Wang Huimin (Chairlady)  
Ms. Wu Wen  
Mr. Kang Jie

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3201-5, Tower One  
Times Square, 1 Matheson Street  
Causeway Bay, Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

777 Jiamusi Road  
Yangpu District, Shanghai  
The People's Republic of China

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
PO Box 2681, Grand Cayman, KY1-1111  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG SHARE REGISTRAR

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Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## LEGAL ADVISERS

### As to Hong Kong law:

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

### As to Cayman Islands law:

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

## COMPLIANCE ADVISER

Haitong International Capital Limited

## AUDITOR

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

## STOCK CODE

03666

## COMPANY'S WEBSITE

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

## INVESTOR RELATIONS

Ms. Louisa Wong  
Email: [ir@xiaonanguo.com](mailto:ir@xiaonanguo.com)

# FINANCIAL HIGHLIGHTS

	Six months ended		
	30 June		
	2013	2012	% Change
	(unaudited)	(audited)	increase
Revenue (RMB'000)	677,551	647,778	4.6%
Gross profit <sup>1</sup> (RMB'000)	466,707	438,724	6.4%
Gross margin <sup>2</sup>	68.9%	67.7%	1.2%
Profit attributable to owners of the Company for the period (RMB'000)	31,831	56,178	(43.3%)
Net profit margin <sup>3</sup>	4.7%	8.7%	(4.0%)
Earnings per share — Basic	RMB2.2 cents	RMB5.1 cents	(56.9%)
Interim dividend per share (HK\$ cents)	0.8	1.4	(42.9%)
Number of restaurants <sup>4</sup> (as at 30 June)	75	62	21.0%

*Notes:*

- 1 The calculation of gross profit is based on revenue less cost of inventories consumed.
- 2 The calculation of gross margin is based on gross profit divided by revenue.
- 3 Net profit margin is calculated as profit attributable to owners of the Company for the period divided by revenue.
- 4 Number of restaurants as at 30 June 2013 includes 67 Shanghai Min restaurants, 4 Maison De L'Hui restaurants and 4 “the dining room” restaurants.



# MANAGEMENT DISCUSSION AND ANALYSIS

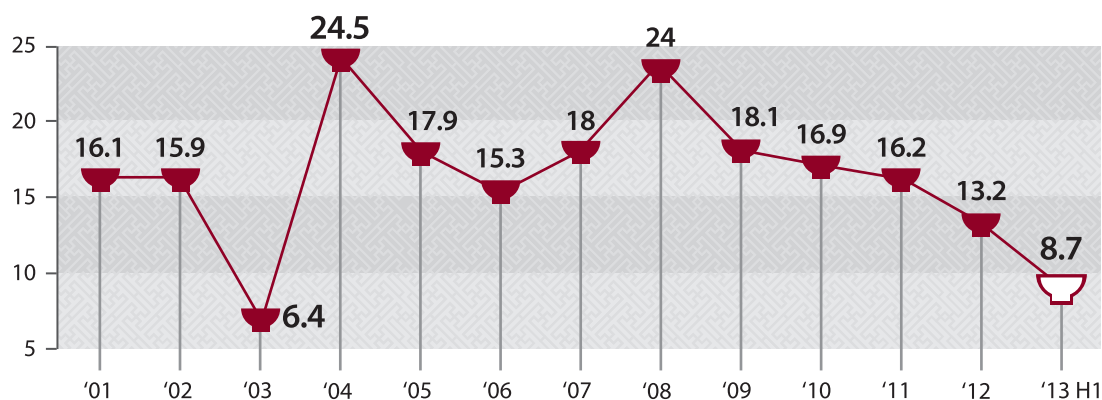
## INDUSTRY REVIEW

In the first half of 2013, China's Gross Domestic Product (GDP) increased by 7.6% from a year earlier (lower than expected and the 7.9% growth in the fourth quarter of 2012), which indicated a slowing down of economic growth. The Chinese government's official growth target for 2013 is 7.5%, which remains impressive compared to that of most other countries, but is nonetheless the slowest pace in past 23 years for the People's Republic of China ("China"). The country's Consumer Price Index (CPI) for the first half of 2013 was up 2.4% year-on-year, though below China's annual target of 3.5%. While July 2013's CPI was 2.8% year-on-year, it is anticipated that the CPI will rise in the second half of the year at a slower pace. The National Development and Reform Commission (NDRC) pledged to strengthen supervision of price changes and try to keep the volatility of consumer goods price increases within a narrow range in the second half of 2013 in an attempt to curb inflation.

China's catering industry was hard hit in the first half of 2013 with: the economic slowdown, the prolonged austerity campaign launched by the Chinese government to curb lavish spending and entertainment, and a wave of avian flu cases impacting cities especially in eastern China. According to the China Cuisine Association (CCA), the catering industry recorded revenue growth of 8.7% to RMB1.18 trillion in the first half of 2013, a growth rate that was 4.5%-points lower than a year earlier (see chart below). Furthermore, a survey report by the CCA indicated that revenue for mid to high-end restaurants slid 22.6% compared to last year and average spend per customer dropped 15% to 30%.

### THE GROWTH RATE OF CHINA'S CATERING INDUSTRY REVENUE

Unit: percent y-o-y



Source: China Cuisine Association

## BUSINESS REVIEW

In the first half of 2013, the Group's revenue increased by 4.6% to RMB677.6 million compared to the same period last year, which we attribute to new stores opened in 2012 and to higher other income such as branded products. Gross profit increased by 6.4% to RMB466.7 million. Gross margin increased by 1.2% points to 68.9% due to lower CPI and continued improvement in the Group's operating efficiency through continuing initiatives of standardization of operations and centralization of supply purchases. The Group's net profit was significantly impacted by: the slowdown in China's economy, adverse effects of the avian flu during the first quarter of 2013, and the prolonged curb in lavish spending by Chinese government officials, which reduced the Group's same-store sales by 8.7%.

The Group has proactively launched a number of marketing and promotional campaigns to increase customer traffic and revenue. As a result, we saw a rise in customers traffic of 1.7% for same-store comparing to the first half of 2012, however average spend per customer dropped 10.2% compared to the first half of 2012. However, main dining hall revenue of 40 Shanghai Min restaurants in Mainland increased by RMB6.7 million, or 4.2%, when compared with the same period in 2012.

The Group opened five new stores in the first half of 2013 — three “Shanghai Min” and two “the dining room”. Our new growth engine, “the dining room” achieved operating profits during the first full month of operation, for both restaurants opened in Hong Kong and Shanghai. Management is very pleased with the performance of its third brand – “the dining room”, a casual dining with contemporary setting with an average spending of RMB70 per customer. The new brand targets personal spending and has been very well received by customers and media, and is achieving gross margin close to 80%, operating margin exceeding 18% and table turn of 5 to 6 times daily. The Company intends to open 6 to 7 stores in 2013. As for the Group’s store expansion plan in the second half of 2013, 12 stores were contracted and in renovation progress, while 5 stores were contracted but has not commenced renovation.

In terms of acquisition, in June 2013, we also signed an agreement to invest in Yancheng Guanhua Aquatic Products Co., Ltd (鹽城冠華水產有限公司), a long-term supplier of the Group, to secure shelled fresh river shrimps and to further develop upstream food product manufacturing & processing operations, to expand the Group’s branded products offerings; in July 2013, the Group has also signed an agreement to invest in Shanghai Huajing Agricultural Biotechnology Co., Ltd (上海華晶農業生物科技股份有限公司), which invented “low-temperature rapid micro-freezing technology” (低溫快速微凍技術). Such technology will be used to maintain and preserve freshness and quality of raw produce, and more importantly to optimise cost and allow transportation efficiency.

The Group’s branded food products achieved 100% growth, as such the Group has set up a food sourcing and trading arm to explore quality raw materials and to secure competitive pricing from the original source in order to expand our food products varieties for use in the Group’s restaurants to enrich product varieties and enhance the price-performance ratio apart from developing into branded foods for distribution and sales to retail outlets owned by the Group and other external retail channels.

The Group established a consulting, management and operation team to open restaurants in luxury hotels, clubs and entertainment complexes, within and outside China. In July 2013, the Group opened a “Shanghai Min” restaurant at City of Dreams entertainment and hotels complex in Macau. The new restaurant is a turnkey project with minimal capital expenditures required.

## OUTLOOK

China’s economy is undergoing fundamental changes so management expects continued headwinds in the catering and restaurant industry, given the continued economic slowdown and curb in lavish spending and entertainment. The Group will continue to leverage its multi-brand strategy, particularly with the success of its casual dining model “the dining room” that targets personal spending and the rising income of China’s growing middle class. With the Group’s long-term track record, well established infrastructure and scalable operation, management remains confident that we can easily replicate “the dining room” model in cities where we already have an established base, while broadening our target customers so as to remain more resilient during the economic downturn slowdown.

The Group will continue to establish more brands (multi-brand strategy) and to seek and develop new business opportunities to broaden and grow revenue — such as managing and operating restaurants for hotel and entertainment groups. And continue to seek acquisition opportunity by offering more brand and cuisine choices to its customers. Marketing and promotional campaigns will continue to play an important part in the second half of 2013 with an aim to attract more customers and drive higher sales. In addition, the Group has established a wedding concierge team to target wedding events and banquets, which can broaden revenue streams.

Finally, management is confident that it can accomplish its 2013 expansion plan of opening a total 22 new stores (5 opened during the first half of 2013). The Group’s long-term plan for “the dining room” is to open 30 more by 2015. The Group expects to finance the working capital requirements with the following source of funding: (i) cash flows from operating activities (ii) proceeds from bank loans.

## FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group revenue reached RMB677.6 million, representing an increase of RMB29.8 million or 4.6% compared to RMB647.8 million for the six months ended 30 June 2012. The gross profit of the Group achieved RMB466.7 million, an increase of approximately RMB28.0 million from approximately RMB438.7 million for the same period of 2012, and profit for the six months ended 30 June 2013 decreased by approximately 43.3% to approximately RMB31.8 million from approximately RMB56.2 million for the same period of 2012.

As at 30 June 2013, the Group operated the restaurant network of 67 Shanghai Min restaurants, 4 Maison De L'Hui restaurants and 4 "the dining room" restaurants, which cover some of the most affluent and fastest-growing cities in China (Note(i)) and Hong Kong. The following table sets forth revenue and the number of the restaurants in operation, by geographical region and brand, as at 30 June 2013 and 2012.

	Six months ended 30 June			
	2013	2012		
	Number of restaurants	Revenue RMB'000 (unaudited)	Number of restaurants	Revenue RMB'000 (audited)
China				
– Shanghai Min	58	526,718	50	524,495
– Maison De L'Hui	4	23,749	3	23,392
– the dining room	1	—	—	—
Hong Kong				
– Shanghai Min	9	87,864	8	89,505
– the dining room	3	22,031	1	1,910
<b>Total revenue of restaurant operations (Note (ii))</b>	<b>75</b>	<b>660,362</b>	<b>62</b>	<b>639,302</b>
Other revenue		17,189		8,476
<b>Total revenue</b>		<b>677,551</b>		<b>647,778</b>

*Notes:*

- (i) "the dining room" in China commenced operation on 30 June 2013, and there are 75 outlets in total.
- (ii) China which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan.

## Revenue

Revenue of the Group increased by RMB29.8 million, or 4.6%, from RMB647.8 million in the six months ended 30 June 2012 to RMB677.6 million in the six months ended 30 June 2013. This increase was due to an increase of RMB21.1 million in revenue from the restaurant operations and an increase of RMB8.7 million in revenue from other businesses during the period.

### Revenue from restaurant operations

Revenue from restaurant operations increased by RMB21.1 million, or 3.3%, from RMB639.3 million in the six months ended 30 June 2012 to RMB660.4 million in the six months ended 30 June 2013 primarily reflecting:

- a RMB5.3 million increase in revenue from 3 Shanghai Min restaurants that were newly opened during the six months ended 30 June 2013;
- a RMB89.4 million increase in revenue from 13 Shanghai Min restaurants that were newly opened during 2012;
- an offsetting effect brought by a RMB43.5 million decrease, representing an 8.8% decrease, in comparable restaurants sales (*note (i)*) from 48 Shanghai Min restaurants from the six months ended 30 June 2012 to the six months ended 30 June 2013. This was mainly attributed to a reduction in the spending income of dining rooms due to the impact of the restrictions imposed by the government's policies on banquets and a continued slowdown in the growth of macroeconomy. However, the Group has actively launched various publicity and promotional activities to enhance customer traffic and revenue. Therefore, although the average spending of customers of the 48 Shanghai Min comparable restaurants decreased by 10.0% as compared to the same period last year, the customer traffic in respect of same-store sales increased by 1.4% as compared to the same period in 2012. In particular, the 40 Shanghai Min restaurants in Mainland recorded an increase of RMB6.7 million or 4.2% in lobby spending revenue as compared to the same period in 2012;
- a RMB1.9 million increase from the ramp-up of one Maison De L'Hui restaurant converted from Shanghai Min in 2012;
- a RMB1.5 million decrease, representing a 6.5% decrease, in comparable restaurant sales (*note (i)*) from 3 Maison De L'Hui restaurants from the six months ended 30 June 2012 to the six months ended 30 June 2013. This was mainly attributed to a reduction in the spending income of dining rooms due to the impact of the restrictions imposed by the government's policies on banquets and a continued slowdown in the growth of macroeconomy. However, the Group has actively launched various publicity and promotional activities to enhance customer traffic and revenue. Therefore, although the average spending of customers of the 3 Maison De L'Hui comparable restaurants decreased by 22.8% as compared to the same period last year, the customer traffic in respect of same-store sales increased by 21.1% as compared to the same period in 2012;
- a RMB17.4 million increase in revenue from 2 "the dining room" restaurants that were newly opened in 2012;
- a RMB2.7 million increase in revenue from one "the dining room" restaurant that was newly opened in 2013;
- during the six months ended 2012 and 2013, we remodeled, changed lease space or location of, or re-decorated 3 Shanghai Min restaurants and 2 closed stores which resulted in a RMB50.6 million decrease in revenue.

*Note (i):* As a whole, our comparable restaurant sales from 51 restaurants (including 48 Shanghai Min restaurants and 3 Maison De L' Hui restaurants) decreased RMB45.0 million, representing 8.7% decrease from the six months ended 30 June 2012 to the six months ended 30 June 2013.





### Revenue from other businesses

Revenue from other businesses increased by RMB8.7 million, or 102.4%, from RMB8.5 million in the six months ended 30 June 2012 to RMB17.2 million in the six months ended 30 June 2013, which primarily reflected the increase in sales of our branded food products.

### Cost of inventories consumed

Cost of inventories consumed increased by RMB1.7 million, or 0.8%, from RMB209.1 million in the six months ended 30 June 2012 to RMB210.8 million in the six months ended 30 June 2013, which was primarily due to an increase in quantities of food and beverages consumed in our operations, in line with rising revenue in the six months ended 30 June 2013.

Cost of inventories consumed as a percentage of the revenue decreased from 32.3% in the six months ended 30 June 2012 to 31.1% in the six months ended 30 June 2013, primarily reflecting further improvements in operating efficiency through our continuing initiatives of standardization of operations and centralization of supply purchases.

### Other income

Other income increased by RMB5.7 million, from RMB18.9 million in the six months ended 30 June 2012 to RMB24.6 million in the six months ended 30 June 2013, primarily reflecting (i) an increase of RMB2.7 million in the government grants received in the six months ended 30 June 2013 from those received in the same period last year as a result of business expansion; and (ii) bank interest income increased by RMB2.5 million in the six months ended 30 June 2013 from those in the same period last year.

### Selling and distribution costs

Selling and distribution costs increased by RMB64.4 million, or 19.4%, from RMB331.8 million in the six months ended 30 June 2012 to RMB396.2 million in the six months ended 30 June 2013, which primarily reflected an increase in all major components, reflecting the expanded operations in the six months ended 30 June 2013.

Labor costs related to the restaurants, central kitchens and central warehouses increased by RMB29.4 million, or 23.0%, from RMB127.7 million in the six months ended 30 June 2012 to RMB157.1 million in the six months ended 30 June 2013, which was in line with the expanded number of the Group's restaurants. As a percentage of our revenue, labor costs slightly increased from 19.7% in the six months ended 30 June 2012 to 23.2% in the six months ended 30 June 2013, primarily reflecting (i) labor costs attributable to the costs increased by 1.9% due to a decrease of 8.7% in the same-store income in the six months ended 30 June 2013; and (ii) an increase in salary costs as the salaries of restaurants's minor grade staff were adjusted in February 2013.

Occupancy costs related to restaurants, central kitchens and central warehouses increased by RMB15.4 million, or 15.3%, from RMB100.7 million in the six months ended 30 June 2012 to RMB116.1 million in the six months ended 30 June 2013. As a percentage of our revenue, occupancy costs increased from 15.5% in the six months ended 30 June 2012 to 17.1% in the six months ended 30 June 2013, primarily reflecting (i) rental costs attributable to costs increased by 1.5% due to a decrease of 8.7% in the same store income in the six months ended 30 June 2013; and (ii) the increase in the number of our new restaurants for the six months ended 30 June 2013.

Depreciation charges related to the restaurants, central kitchens and central warehouses increased by RMB8.1 million, or 20.6%, from RMB39.3 million in the six months ended 30 June 2012 to RMB47.4 million in the six months ended 30 June 2013. As a percentage of our revenue, depreciation charges increased from 6.1% in the six months ended 30 June 2012 to 7.0% in the six months ended 30 June 2013, primarily reflecting (i) same store same period revenue decreasing in the six months ended 30 June 2013; and (ii) the increase in the number of our new restaurants for the six months ended 30 June 2013.

### General and administrative expenses

Administrative expenses increased by RMB1.1 million, or 2.3%, from RMB48.8 million in the six months ended 30 June 2012 to RMB49.9 million in the six months ended 30 June 2013, and as a percentage of our revenue, administrative expenses decreased from 7.5% to 7.4% during the same periods. These decreases primarily reflected the increase of our economy scale and our control of the headcount at our headquarters in 2013.

### Income tax expenses

Income tax expenses decreased by RMB7.1 million, or 42.5%, from RMB16.7 million in the six months ended 30 June 2012 to RMB9.6 million in the six months ended 30 June 2013, primarily reflecting decreases in profit before tax during the same periods. The overall effective tax rate increased from 22.9% in the six months ended 30 June 2012 to 23.1% in the six months ended 30 June 2013.

### Profit for the period

As a result of the foregoing, the profit for the period decreased by RMB24.4 million, or 43.4%, from RMB56.2 million in the six months ended 30 June 2012 to RMB31.8 million in the six months ended 30 June 2013. The net profit margin decreased from 8.7% in the six months ended 30 June 2012 to 4.7% in the six months ended 30 June 2013.

### Dividends payable

For the six months ended 30 June 2013, the Group paid out dividends of RMB31.0 million (including withholding tax on dividends). As at 30 June 2013, there was no outstanding dividends payable.

### Liquidity, financial resources and cash flow

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

As at 30 June 2013, the Group's total interest-bearing bank loans were RMB170.3 million.

The Group had net cash inflows from operating activities of RMB29.9 million for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB74.3 million). As at 30 June 2013, the Group had RMB330.5 million in cash and cash equivalents (31 December 2012: RMB416.8 million). The following table sets the certain information regarding the consolidated cash flows for the periods ended 30 June 2013 and 2012.

The gearing ratio (defined as net debt dividend by equity attributable to owners of the Company plus net debt) as at 30 June 2013 was 7.6%.

### Operating activities

Net cash inflow from operating activities decreased by RMB44.4 million from RMB74.3 million in the six months ended 30 June 2012 to RMB29.9 million in the six months ended 30 June 2013, which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB93.9 million (six months ended 30 June 2012: RMB122.0 million); and (ii) changes in working capital represented decrease of cash of RMB30.8 million (six months ended 30 June 2012: decrease of cash of RMB26.8 million).

### Investing activities

Net cash flow used in investing activities was RMB92.6 million in the six months ended 30 June 2013, compared with RMB86.4 million for the same period in 2012. It is mainly due to an increase of cash outflow amounting to RMB6.2 million as expenses paid for, inter alia, purchase of leasehold improvements, furniture, fixtures and equipments and construction in progress in connection with decorating and refurbishing the existing and new restaurants and software with development of the enterprise resource planning systems.



### Financing activities

Net cash flow of financing activities changed from an outflow of RMB87.2 million during the six months ended 30 June 2012 to an outflow of RMB20.5 million during the six months ended 30 June 2013, representing a decrease of RMB66.7 million, which was primarily attributable to (i) an increase in proceeds from bank loans (net of repayment of principal and interest) of RMB8.5 million (six months ended 30 June 2012: decreased RMB41.7 million); (ii) payment of dividends of RMB31.0 million (six months ended 30 June 2012: RMB27.6 million); and (iii) no IPO expenses (six months ended 30 June 2012: RMB17.9 million).

### Foreign Currency Exposure

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the six-month periods ended 30 June 2013 and 30 June 2012 are denominated in currencies other than the functional currency of the relevant business. The Group has minimal exposure of foreign exchange risk.

### Contingent Liabilities

There were no significant contingent liabilities for the Group as at 30 June 2013 and 31 December 2012.

### Operating Lease Arrangements

#### As lessee

The Group leases certain of its office and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 5 to 10 years.

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within one year	398,645	202,115
In the second to fifth years, inclusive	756,885	741,388
After five years	423,453	422,117
	<b>1,578,983</b>	<b>1,365,620</b>

### Capital Commitment

Capital commitments were approximately RMB65.2 million and RMB41.5 million as at 30 June 2013 and 31 December 2012, respectively.

### Human Resources

The salary level of employees in the restaurant industry has been generally increasing in recent years. Employee attrition levels tend to be higher in the food services industry than in other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 30 June 2013, the Group recruited about 4,828 employees in China and Hong Kong. During the six months ended 30 June 2013, total staff cost was RMB193.7 million, 28.6% of the revenue (six months ended 30 June 2012: RMB162.5 million, 25.1% of the revenue) primarily reflecting (i) the increase in labor costs attributable to the expanded numbers of our restaurants for the six months ended 30 June 2013; and (ii) an increase in salary levels for our employees during the six months ended 30 June 2013 when compared to the previous year.

# CONSOLIDATED INCOME STATEMENT

Six-month period ended 30 June 2013

	Notes	Six-month period ended 30 June	
		2013 RMB'000 (unaudited)	2012 RMB'000 (audited)
<b>REVENUE</b>	4	<b>677,551</b>	647,778
Cost of inventories consumed		<b>(210,844)</b>	(209,054)
Gross profit		<b>466,707</b>	438,724
Other income	4	<b>24,616</b>	18,894
Selling and distribution costs		<b>(396,225)</b>	(331,815)
Administrative expenses		<b>(49,887)</b>	(48,821)
Other expenses		<b>(51)</b>	(254)
Finance costs	6	<b>(3,762)</b>	(3,861)
<b>PROFIT BEFORE TAX</b>	5	<b>41,398</b>	72,867
Income tax expense	7	<b>(9,574)</b>	(16,689)
<b>PROFIT FOR THE PERIOD</b>		<b>31,824</b>	56,178
Attributable to:			
Owners of the Company		<b>31,831</b>	56,178
Non-controlling interests		<b>(7)</b>	—
Earnings per share attributable to ordinary equity holders of the Company			
– Basic	9	<b>RMB2.2 cents</b>	RMB5.1 cents
– Diluted	9	<b>RMB2.2 cents</b>	RMB5.0 cents

Details of the dividends declared for the period are disclosed in Note 8 to the consolidated interim financial statements.

The notes from pages 17 to 37 form an integral part of these condensed consolidated interim financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 June 2013

	Six-month period ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (audited)
<b>PROFIT FOR THE PERIOD</b>	<b>31,824</b>	<b>56,178</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Exchange differences on translation of foreign operations	(4,332)	376
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>27,492</b>	<b>56,554</b>
Attributable to:		
Owners of the Company	27,499	56,554
Non-controlling interests	(7)	—

The notes from pages 17 to 37 form an integral part of these condensed consolidated interim financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property and equipment	10	637,565	614,806
Intangible assets		4,578	4,636
Investments in an associate	11	10,000	—
Available-for-sale investments		100	100
Long-term rental deposits		51,366	50,390
Deferred tax assets		42,972	33,873
Other long-term assets		475	581
<b>Total non-current assets</b>		<b>747,056</b>	<b>704,386</b>
<b>CURRENT ASSETS</b>			
Inventories	12	44,203	58,613
Trade receivables	13	12,966	26,829
Prepayments, deposits and other receivables	14	139,626	111,794
Cash and cash equivalents	15	330,539	416,797
<b>Total current assets</b>		<b>527,334</b>	<b>614,033</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	16	60,409	82,238
Interest-bearing bank loans	17	120,162	156,795
Tax payable		13,314	28,012
Other payables and accruals	18	167,058	189,108
Deferred income		805	1,981
<b>Total current liabilities</b>		<b>361,748</b>	<b>458,134</b>
<b>NET CURRENT ASSETS</b>		<b>165,586</b>	<b>155,899</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>912,642</b>	<b>860,285</b>



## Consolidated Statement of Financial Position

30 June 2013

	Note	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
<b>NON-CURRENT LIABILITIES</b>			
Long-term payables		41,339	38,659
Interest-bearing bank loans	17	50,109	—
Deferred tax liabilities		1,630	1,359
<b>Total non-current liabilities</b>		<b>93,078</b>	<b>40,018</b>
<b>Net assets</b>		<b>819,564</b>	<b>820,267</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued share capital		12,032	12,032
Reserves		796,143	777,244
Proposed dividend		9,400	30,991
		<b>817,575</b>	<b>820,267</b>
<b>Non-controlling interests</b>		<b>1,989</b>	<b>—</b>
<b>Total equity</b>		<b>819,564</b>	<b>820,267</b>

The notes from pages 17 to 37 form an integral part of these condensed consolidated interim financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2013

	Attributable to owners of the Company											
	Issued capital	Share premium	Capital reserve	Merger reserve	Statutory surplus reserve	Exchange fluctuation reserve	Share option reserve	Retained earnings	Proposed final dividend	Non-controlling interests	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As of 1 January 2013	12,032	477,424	60,174	(69,246)	12,812	(9,453)	8,205	297,328	30,991	820,267	—	820,267
Profit for the period	—	—	—	—	—	—	—	31,831	—	31,831	(7)	31,824
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	(4,332)	—	—	—	(4,332)	—	(4,332)
Total comprehensive income for the period	—	—	—	—	—	(4,332)	—	31,831	—	27,499	(7)	27,492
Share Capital	—	—	—	—	—	—	—	—	—	—	1,996	1,996
Final 2012 dividend declared	—	—	—	—	—	—	—	—	(30,991)	(30,991)	—	(30,991)
Equity-settled share option arrangements	—	—	—	—	—	—	800	—	—	800	—	800
Proposed 2013 dividend	—	—	—	—	—	—	—	(9,400)	9,400	—	—	—
As of 30 June 2013 (unaudited)	12,032	477,424	60,174	(69,246)	12,812	(13,785)	9,005	319,759	9,400	817,575	1,989	819,564
As of 1 January 2012	9,262	116,962	60,174	(69,246)	11,490	(7,515)	5,554	227,579	—	354,260	—	354,260
Profit for the period	—	—	—	—	—	—	—	56,178	—	56,178	—	56,178
Other comprehensive income for the period:												
Exchange differences on translation of foreign operations	—	—	—	—	—	376	—	—	—	376	—	376
Total comprehensive income for the period	—	—	—	—	—	376	—	56,178	—	56,554	—	56,554
Equity-settled share option arrangements	—	—	—	—	—	—	1,691	—	—	1,691	—	1,691
Cancellation of shares	(10)	10	—	—	—	—	—	—	—	—	—	—
As of 30 June 2012 (audited)	9,252	116,972	60,174	(69,246)	11,490	(7,139)	7,245	283,757	—	412,505	—	412,505

The notes from pages 17 to 37 form an integral part of these condensed consolidated interim financial statements.





# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2013

	For the six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (audited)
Net cash flows from operating activities	29,927	74,251
Net cash flows used in investing activities	(92,584)	(86,447)
Net cash flows used in financing activities	(20,451)	(87,235)
Net decrease in cash and cash equivalents	(83,108)	(99,431)
Cash and cash equivalents at beginning of the period	416,797	179,956
Effect of foreign exchange rate changes, net	(3,150)	92
Cash and cash equivalents at end of the period	330,539	80,617

The notes from pages 17 to 37 from an integral part of these condensed consolidated interim financial statements.

## 1. Corporate Information

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. The registered office of the Company is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2012.

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

## 2.1 Basis of Preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as well as with all the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed consolidated interim financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These condensed interim financial statements have not been audited. These condensed consolidated interim financial statements were approved and authorized for issue by the board of directors on 22 August 2013.

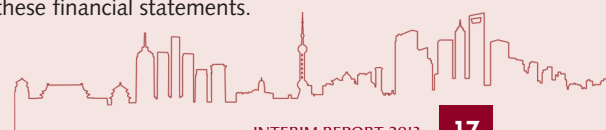
The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

## 2.2 Impact of New and Revised International Financial Reporting Standards ("IFRS")

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised Standards and interpretations as of 1 January 2013, noted below:

IFRS 1 Amendments	Amendments to IFRS1 <i>First-time Adoption of International Financial Reporting Standards – Government Loans</i>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12: <i>Transition Guidance</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 Amendments	Amendments to IAS1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
IAS 19 (Amendments)	<i>Employee Benefits</i>
IAS 27 (Revised)	<i>Separate Financial Statements</i>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements to 2009-2011 Cycle</i>	Amendments to a number of IFRSs issued in May 2012

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



## 2.3 Impact of Issued but not yet Effective International Financial Reporting Standards

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

IFRS 9	<i>Financial Instruments</i> <sup>2</sup>
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – <i>Investment Entities</i> <sup>1</sup>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments</i> : <i>Presentation – Offsetting Financial Assets and Financial Liabilities</i> <sup>1</sup>
IAS 36 Amendments	Amendments to IAS 36 <i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i> <sup>1</sup>
IAS 39 Amendments	Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i> <sup>1</sup>
IFRIC 21	<i>Levies</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2015

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. 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

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Mainland China	567,148	556,363
Hong Kong	110,403	91,415
	677,551	647,778

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

### 3. Operating Segment Information (Continued)

#### Geographical information (Continued)

##### (b) Non-current assets

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Mainland China	590,704	553,857
Hong Kong	61,914	66,166
	<b>652,618</b>	<b>620,023</b>

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

#### Information about a major customer

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six-month periods ended 30 June 2013 and 2012, no major customers segment information is presented in accordance with IFRS 8 *Operating Segments*.

### 4. Revenue and Other Income

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

An analysis of revenue and other income is as follows:

	Six-month period ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (audited)
<b>Revenue</b>		
Restaurant operations	660,362	639,302
Other revenue	17,189	8,476
Revenue, net	<b>677,551</b>	<b>647,778</b>
<b>Other income</b>		
Government grants	12,985	10,310
Bank interest income	2,688	216
Management fee	1,500	1,500
Compensation income from landlords	2,800	2,800
Service income	1,966	2,000
Exchange differences	2,176	—
Others	501	2,068
	<b>24,616</b>	<b>18,894</b>

## 5. Profit before Tax

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

	Six-month period ended 30 June	
	2013	2012
	RMB'000 (unaudited)	RMB'000 (audited)
Cost of inventories consumed	210,844	209,054
Depreciation	49,887	40,334
Amortisation of intangible assets	569	211
Amortisation of other long-term assets	106	106
Minimum lease payments under operating lease on buildings	119,494	102,478
Employee benefit expense (including directors' and Chief Executive Officer's remuneration):		
Wages and salaries	152,599	128,216
Equity-settled share option expense	800	1,691
Defined contribution pension scheme	40,307	32,585
	193,706	162,492
Bank interest income	(2,688)	(216)
Loss on disposal of items of property and equipment	74	167

## 6. Finance Costs

An analysis of finance costs is as follows:

	Six-month period ended 30 June	
	2013	2012
	RMB'000 (unaudited)	RMB'000 (audited)
Interest on bank loans wholly repayable within five years	4,932	4,603
Less: Interest capitalised	(1,170)	(742)
	3,762	3,861

## 7. Income Tax

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

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Group:		
Current - Mainland China charged for the period	17,640	23,903
Current - Hong Kong charged for the period	813	1,148
Deferred tax	(8,879)	(8,362)
<b>Total tax charge for the period</b>	<b>9,574</b>	<b>16,689</b>

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

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

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

## 8. Dividends

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Interim – HK\$0.008 (2012: HK\$0.014) per ordinary share	9,400	16,834

On 22 August 2013, the Company declared an interim dividend for the six months ended 30 June 2013, at HK\$0.008 per ordinary share, amounting to a total sum of approximately HK\$11,800,000 (approximately equivalent to RMB9,400,000).

## 9. Earnings per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the consolidated profit attributable to the equity holders of the Company and the weighted average number of ordinary shares of 1,451,250,000 (30 June 2012: 1,110,000,000) in issue throughout the period.

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

The calculation of basic and diluted earnings per share is based on:

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(audited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	31,831	56,178

	Six-month period ended 30 June	
	2013	2012
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	1,451,250,000	1,110,000,000
Effect of dilution — weighted average number of ordinary shares: Share options	967,842	3,651,000
Number of ordinary shares used in the diluted earnings per share calculation	1,452,217,842	1,113,651,000

\* Not taking into account 23,750,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

## 10. Property and Equipment

### Group

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>30 June 2013</b>					
At 31 December 2012 and 1 January 2013 (audited):					
Cost	646,381	137,664	5,852	54,163	844,060
Accumulated depreciation and impairment	(165,383)	(59,752)	(4,119)	—	(229,254)
Net carrying amount	480,998	77,912	1,733	54,163	614,806
At 1 January 2013, net of accumulated depreciation (audited)					
Additions	20,928	7,547	2	45,374	73,851
Depreciation provided during the period	(39,224)	(10,389)	(274)	—	(49,887)
Disposal	(53)	(21)	—	—	(74)
Transfers	24,743	4,113	—	(28,856)	—
Exchange realignment	(986)	(145)	—	—	(1,131)
At 30 June 2013, net of accumulated depreciation (unaudited)	486,406	79,017	1,461	70,681	637,565
At 30 June 2013 (unaudited):					
Cost	692,927	148,904	5,854	70,681	918,366
Accumulated depreciation and impairment	(206,521)	(69,887)	(4,393)	—	(280,801)
Net carrying amount	486,406	79,017	1,461	70,681	637,565





**10. Property and Equipment (Continued)****Group**

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>30 June 2012</b>					
At 31 December 2011 and 1 January 2012 (audited):					
Cost	521,934	106,144	5,492	26,252	659,822
Accumulated depreciation and impairment	(111,332)	(44,464)	(3,787)	—	(159,583)
Net carrying amount	410,602	61,680	1,705	26,252	500,239
At 1 January 2012, net of accumulated depreciation (audited)	410,602	61,680	1,705	26,252	500,239
Additions	17,612	5,064	398	36,457	59,531
Depreciation provided during the period	(31,094)	(8,700)	(540)	—	(40,334)
Disposal	(4,230)	(158)	(9)	—	(4,397)
Transfers	23,618	7,471	—	(31,089)	—
Exchange realignment	228	41	—	—	269
At 30 June 2012, net of accumulated depreciation (audited)	416,736	65,398	1,554	31,620	515,308
At 30 June 2012 (audited):					
Cost	554,819	117,317	5,708	31,620	709,459
Accumulated depreciation and impairment	(138,078)	(51,919)	(4,154)	—	(194,151)
Net carrying amount	416,736	65,398	1,554	31,620	515,308

**11. Investment in an Associate**

	Group	
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Unlisted shares, at cost	10,000	—

The Group's trade payable balance with the associate is disclosed in note 16 to the financial statements.

## 11. Investment in an Associate (Continued)

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Yancheng Guanhua Aquatic Products Co., Ltd.	Ordinary shares of RMB1 each	PRC	24.01%	Aquatic food processing

The Group's shareholdings in the associate all comprise equity shares held by Shanghai Xiao Nan Guo Restaurant Co., Ltd., a wholly-owned subsidiary of the Company. The investment was completed on 29 June 2013.

## 12. Inventories

	Group	
	30 June 2013	31 December 2012
	RMB'000 (unaudited)	RMB'000 (audited)
Food and beverages, and other operating items for restaurant operations	44,203	58,613

## 13. Trade Receivables

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

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

	Group	
	30 June 2013	31 December 2012
	RMB'000 (unaudited)	RMB'000 (audited)
Within 1 month	5,580	18,988
1 to 2 months	2,357	2,620
2 to 3 months	570	751
Over 3 months	4,459	4,470
	12,966	26,829

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

## 14. Prepayments, Deposits and Other Receivables

	Group	
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Deposits and other receivables	39,054	29,975
Prepaid expense	34,308	27,097
Amount due from companies owned by the Controlling Shareholder	32,549	29,506
Amount due from a Director of major subsidiaries in Hong Kong	—	365
Prepayments	33,715	24,851
	<b>139,626</b>	<b>111,794</b>

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

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

## 15. Cash and Cash Equivalents

	Group	
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Cash and bank balances, unrestricted	237,275	221,026
Time deposits with original maturity of less than three months	93,264	195,771
Cash and cash equivalents	<b>330,539</b>	<b>416,797</b>

The cash and bank balances and time deposits of the Group's subsidiaries in mainland China denominated in RMB amounted to RMB247,040,000 and RMB203,766,000 as at 30 June 2013 and 31 December 2012, 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.

## 16. Trade Payables

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

	Group	
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within 3 months	55,107	76,528
3 months to 1 year	4,145	4,721
Over 1 year	1,157	989
	<b>60,409</b>	<b>82,238</b>

Included in the Group's trade payables balance as at 30 June 2013, are payables due to the associate, Yancheng Guanhua Aquatic Products Co., Ltd., with amount of RMB27,250,000.

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

## 17. Interest-bearing Bank Loans

### Group

	30 June 2013 (unaudited)			31 December 2012 (audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – unsecured	—	—	—	6.16	2013	38,900
Bank loans – unsecured	5.60	2013	80,000	5.60	2013	80,000
Bank loans – unsecured	4.80	2014	40,162	—	—	—
Current portion of long term bank loans – secured	—	—	—	6.16	2013	37,895
			<b>120,162</b>			<b>156,795</b>
<b>Non-current</b>						
Bank loans – unsecured	4.80	2015	50,109	—	—	—
			<b>50,109</b>			<b>156,795</b>
<b>Analysed into:</b>						
Bank loans repayable:						
Within one year or on demand			120,162			156,795
In the second year			50,109			—
			<b>170,271</b>			<b>156,795</b>

**18. Other Payables and Accruals**

	Group	
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Payroll and welfare payables	28,036	29,786
Tax payables other than income tax	3,462	7,378
Other payables for construction in progress	56,736	65,816
Accruals and other payables	24,971	27,294
Advance from customers	53,853	58,369
Amounts due to companies owned by the Controlling Shareholder	—	465
	<b>167,058</b>	<b>189,108</b>

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

## 19. SHARE-BASED PAYMENTS

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

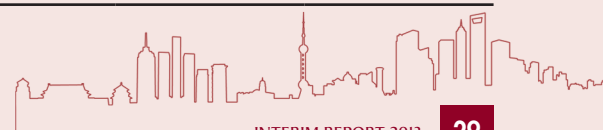
Two Pre-IPO share option schemes (the "Pre-IPO Schemes") were approved pursuant to the resolutions passed by the Company's board of directors on 10 February 2010 and 15 March 2011 (subsequently amended on 10 August 2011), respectively. According to the Pre-IPO Schemes, the directors may invite directors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

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

The following share options were outstanding under the Pre-IPO Schemes during the six-month period ended 30 June 2013 and 2012:

	Six-month period ended 30 June 2013	
	Weighted average exercise price per share RMB	Number of options '000
At 1 January 2013		90,252
Forfeited during the period	1-1.175	(17,129)
At 30 June 2013		73,123

	Six-month period ended 30 June 2012	
	Weighted average exercise price per share RMB	Number of options '000
At 1 January 2012		84,663
Granted during the period	1.175	17,975
Forfeited during the period	1-1.175	(2,080)
At 30 June 2012		100,558



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

No share options under the Pre-IPO Schemes were exercised during the six-month period ended 30 June 2013 and 2012.

The exercise prices and exercise periods of the share options under the Pre-IPO Schemes outstanding as at 30 June 2013 are as follows:

Number of options '000	Exercise price RMB per share	Exercise period
16,859	1	1 January 2012 to 11 February 2020
465	1	1 January 2012 to 21 June 2020
3,022	1	1 January 2012 to 1 September 2020
2,355	1.1	1 January 2012 to 15 December 2020
208	1.1	1 January 2012 to 26 January 2021
5,449	1.1	1 January 2012 to 22 March 2021
18,291	1.1	1 January 2012 to 22 March 2021
4,210	1.1	1 July 2012 to 1 July 2021
2,268	1.1	1 July 2012 to 1 July 2021
4,094	1.1	1 July 2012 to 12 August 2021
2,466	1.1	1 July 2012 to 12 August 2021
2,630	1.175	1 January 2013 to 15 January 2022
1,314	1.175	1 July 2013 to 15 January 2022
6,110	1.175	1 January 2013 to 15 May 2022
3,382	1.175	1 July 2013 to 15 May 2022
73,123		

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

- i. Conditional upon the initial public offering and listing of the Company's shares on the Stock Exchange (the "Listing"), 15,000,000 shares should be transferred from the investment holding company to the director in four equal instalments as at 1 July 2012, 2013, 2014 and 2015, respectively.
- ii. Conditional upon the Listing and the achievement of certain performance conditions for each of the four years ending 31 December 2014, 10,000,000 shares will be transferred to the director in four equal instalments as at 1 July 2012, 2013, 2014 and 2015, respectively. Subsequently, 1,250,000 shares have been repurchased and cancelled by the Company on 8 June 2012, pursuant to the resolution of board of directors of the Company.

The incremental fair value of the replacement share-based payment arrangement for the director is recognised as share option expenses over the vesting period.

## 19. SHARE-BASED PAYMENTS *(Continued)*

### (2) Share Option Scheme

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

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

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





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

The following share options were outstanding under the Share Option Scheme during the six-month period ended 30 June 2013:

	Six-month period ended 30 June	
	Weighted average exercise price per share HKD	Number of options '000
At 1 January 2013		—
Granted during the period	1.3	3,000
At 30 June 2013		3,000

No share options under the Share Option Scheme were forfeited or exercised during the six-month period ended 30 June 2013.

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 30 June 2013 are as follows:

Number of options '000	Exercise price HKD per share	Exercise period
3,000	1.3	1 July 2013 to 7 June 2023

The Group recognised share option expenses of RMB800,000 under the Pre-IPO Schemes and the Share Option Scheme during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: RMB1,691,000).

As at 30 June 2013, the Company had 73,122,629 and 3,000,000 share options outstanding under the pre-IPO Schemes and the Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 76,122,629 additional ordinary shares of the Company and additional share capital of RMB606,000 and share premium of RMB81,855,000.

At the date of approval of these financial statements, the Company had 76,122,629 share options outstanding under the Pre-IPO Schemes and the Share Option Scheme, which represented approximately 5.2% of the Company's shares in issue as at that date.

## 20. Operating Lease Arrangements

### As lessee

The Group leases certain of its office and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 5 to 10 years.

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

	Group	
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within one year	398,645	202,115
In the second to fifth years, inclusive	756,885	741,388
After five years	423,453	422,117
	<b>1,578,983</b>	<b>1,365,620</b>

## 21. Commitments

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

	Group	
	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Contracted, but not provided for: Leasehold improvements	65,183	41,509



## 22. Related Party Transactions

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

	Notes	Six-month period ended 30 June	
		2013	2012
		RMB'000 (unaudited)	RMB'000 (audited)
Fee income from provision of food processing service	(i)	292	375
Management fee income	(ii)	1,500	1,500
Property rental expense	(iii)	3,937	2,000
Integrated property management expense	(iv)	115	—
Purchase of goods and service	(v)	3,124	—
Sales of goods and service	(vi)	6,876	168

Notes:

- (i) The Group made purchases 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 integrated management service agreements with Xiao Nan Guo (Group) Co., Ltd., a company owned by the Controlling Shareholder, pursuant to which the Group has agreed to provide integrated management services to Xiao Nan Guo (Group) Co., Ltd. for the period commencing from 1 July 2010 to 31 December 2014 for a monthly service fee of RMB250,000.
- (iii) Shanghai Hongqiao Xiao Nan Guo Restaurant Management Co., Ltd. ("Hongqiao XNG"), a company owned by the Controlling Shareholder, leases a restaurant premises 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 five years commencing 1 July 2008. During the period ended 30 June 2013, no rental was charged by Hongqiao XNG pursuant to a supplemental agreement (30 June 2012: RMB2,000,000).

The Group entered into a lease agreement with Xiao Nan Guo (Group) Co., Ltd. to lease office premises for the period commencing from 1 July 2012 to 31 December 2014, at a rental fee of RMB2.7 million and with 2% growth each year. The actual fee charged during the period ended 30 June 2013 was RMB1,460,000, with service fee included (30 June 2012: Nil).

The Group entered into a lease agreement with Xiao Nan Guo (Group) Co., Ltd. to lease a banquet hall as a restaurant for the period commencing from 16 September 2012 to 31 December 2014, at a rental fee based on 17% of the gross revenue of the restaurant. During the period ended 30 June 2013, the rental charged by Xiao Nan Guo (Group) Co., Ltd. was RMB2,477,000 (30 June 2012: Nil).

- (iv) 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. The service fee was charged based on actual costs incurred.
- (v) The Group entered into a hotel coupon purchase agreement in 2012 with WH Ming Hotel, a hotel owned by the Controlling Shareholder, for a term of one year and extend for one year in 2013 (the "Coupon Purchase Agreement"). Pursuant to the Coupon Purchase Agreement, the Group agreed to purchase the framework hotel coupon at an agreed price to ensure that the Group attains a gross margin rate no lower than 25% of its selling price. The transaction incurred during the six-month period ended 30 June 2013 amounted to RMB35,000 (30 June 2012: Nil).

The Group purchased aquatic food from the associate, Yancheng Guanhua Aquatic Products Co., Ltd., as mentioned in note 11, with amount of RMB3,089,000 during the period ended 30 June 2013. The purchase from the associate was made according to the published prices and conditions offered by the associate to its major customers.

- (vi) The Group provided banquet food to WH Ming Hotel, a hotel owned by the Controlling Shareholder, upon request for banquet arrangements at the Hotel premises for the customers of WH Ming Hotel. The price of banquet food sold to WH Ming Hotel shall be decided by the Group, and shall not be lower than 75% of the selling price of the food in the menu of the Group. The income generated from banquet food provided to WH Ming Hotel amounted to RMB6,072,000 during the period ended 30 June 2013 (30 June 2012: Nil).

The Group sold gift boxes to Xiao Nan Guo (Group) Co., Ltd. amounted to RMB804,000 based on market price (30 June 2012: RMB168,000).

## 22. Related Party Transactions (Continued)

### (b) Other transactions with related parties

The Group entered into a trademark licensing agreement with Xiao Nan Guo (Group) Co., Ltd., pursuant to which Xiao Nan Guo (Group) Co., Ltd. had granted the Group an exclusive license to use its registered trademarks for no consideration.

### (c) Outstanding balances with related parties

The amounts due from and due to the companies owned by the Controlling Shareholder are disclosed in Notes 14 and 18 to the financial statements. These balances are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's trade payables to an associate as at the end of the reporting period are disclosed in note 16 to the financial statements.

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

	Six-month period ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Short-term employee benefits	3,544	4,007
Equity-settled share-based payment	404	951
Total compensation paid to key management personnel	3,948	4,958

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



## 23. Financial Instruments by Category

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

### Group – 30 June 2013 (unaudited)

#### Financial assets

	Loans and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	100	100
Long-term rental deposits	51,366	—	51,366
Trade receivables	12,966	—	12,966
Financial assets included in prepayments, deposits and other receivables	71,603	—	71,603
Cash and cash equivalents	330,539	—	330,539
	466,474	100	466,574

#### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term payables	41,339
Trade payables	60,409
Financial liabilities included in other payables and accruals	92,879
Interest-bearing bank loans	170,271
	364,898

## 23. Financial Instruments by Category (Continued)

Group – 31 December 2012 (audited)

### Financial assets

	Loans and receivables RMB'000	Available-for- sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	100	100
Long-term rental deposits	50,390	—	50,390
Trade receivables	26,829	—	26,829
Financial assets included in prepayments, deposits and other receivables	44,630	—	44,630
Cash and cash equivalents	416,797	—	416,797
	538,646	100	538,746

### Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term payables	38,659
Trade payables	82,238
Financial liabilities included in other payables and accruals	118,502
Interest-bearing bank loans	156,795
	396,194

## 24. Fair Value

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

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

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.



## OTHER INFORMATION

### INTERIM DIVIDENDS

The Board has resolved to declare an interim dividend of HK\$0.8 cents per share, totalling HK\$11,800,000 (approximately RMB9,400,000) for the six months ended 30 June 2013. The interim dividend will be paid on or about 27 September 2013 to the members whose names appear on the register of members of the Company on 13 September 2013.

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' entitlements to the interim dividend, the register of members of the Company will be closed from 11 September 2013 to 13 September 2013, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's 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, not later than 4:30 p.m. on 10 September 2013.

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

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

As of 30 June 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required to notify to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out as follows:

Name of Director	Nature of Interest	Class of shares	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding
Wang Huimin <sup>(2)</sup>	Interest in controlled corporation	Ordinary Share	511,725,000(L)	34.69%
	Trustee	Ordinary Share	212,361,250(L)	14.40%
Wu Wen <sup>(3)</sup>	Interest in controlled corporation	Ordinary Share	97,013,750(L)	6.58%
Kang Jie <sup>(4)(5)</sup>	Interest in controlled corporation <sup>(4)</sup>	Ordinary Share	5,000,000(L)	0.34%
	Beneficiary of a trust <sup>(5)</sup>	Ordinary Share	23,750,000(L)	1.61%
Wang Huili <sup>(6)</sup>	Interest in controlled corporation <sup>(6)</sup>	Ordinary Share	55,173,750(L)	3.74%
Wang Hairong <sup>(7)</sup>	Interest in controlled corporation <sup>(7)</sup>	Ordinary Share	87,013,750(L)	5.90%

Notes:

- (1) The letter “L” denotes long position in the shares held by the directors.
- (2) The entire issued share capital of Value Boost Limited is held by the trustee. Wang Huimin (“Ms. Wang”) is the settlor and the beneficiary of The Wang Trust, and is deemed to be interested in the shares held by The Wang Trust under the SFO. Ms. Wang is also interested in approximately 20.3% of the Company’s total issued shares as a trustee. Please refer to the section headed “Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares” for details.
- (3) Wu Wen owns the entire issued share capital of Brilliant South Limited, which beneficially owns 100% equity interest in Well Reach Limited, which in turn owns approximately 6.58% equity interest in the Company.
- (4) Kang Jie owns the entire issued share capital of Victor Merit Limited, which beneficially owns 100% equity interest in Fast Glow Limited, which in turn owns approximately 0.34% equity interest in the Company.
- (5) Kang Jie is entitled to certain beneficial interest in the Company under the Employee Trust, for details of which please refer to the section headed “Further Information about Directors, Management and Staff – Terms of the Employee Trust” in the Prospectus.
- (6) Wang Huili owns the entire issued share capital of Ever Project Investments Limited, which beneficially owns 100% equity interest in Fast Thinker Limited, which in turn owns approximately 3.74% equity interest in the Company.
- (7) Wang Hairong owns the entire issued share capital of Wealth Boon Enterprises Limited, which beneficially owns 100% equity interest in Full Health Limited, which in turn owns approximately 5.90% equity interest in the Company.

## SHARE OPTION SCHEME

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

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

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

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





## Other Information

- (b) from 1 July 2013 to 10 years from the date of grant:–
  - (1) 25% shall vest if the Company's net profit for the year ending 31 December 2012 reaches a specified target;
  - (2) 12.5% shall vest if the Company's net profit for the year ending 31 December 2012 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
  - (3) if the Company's net profit for the year ending 31 December 2012 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;
- (c) from 1 July 2014 to 10 years from the date of grant:–
  - (1) 25% shall vest if the Company's net profit for the year ending 31 December 2013 reaches a specified target;
  - (2) 12.5% shall vest if the Company's net profit for the year ending 31 December 2013 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
  - (3) if the Company's net profit for the year ending 31 December 2013 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options; and
- (d) from 1 July 2015 to 10 years from the date of grant:–
  - (1) 25% shall vest if the Company's net profit for the year ending 31 December 2014 reaches a specified target;
  - (2) 12.5% shall vest if the Company's net profit for the year ending 31 December 2014 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;
  - (3) if the Company's net profit for the year ending 31 December 2014 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options.

Each option granted under the Pre-IPO Share Option Scheme is exercisable within 10 years from the date on which such option becomes vested.

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

Since the adoption of the Pre-IPO Share Option Schemes, 101,318,199 share options have been granted under these schemes. For the period from 1 January 2013 to 30 June 2013, no share option granted under the Pre-IPO Share Option Schemes have been exercised and 17,129,320 shares options granted under the Pre-IPO Share Option Schemes have been lapsed. For the period from 1 January 2013 to 30 June 2013, 73,122,629 share options granted under the Pre-IPO Share Option Schemes were still outstanding. The summary of the share options granted under the Pre-IPO Share Option Schemes that were still outstanding as of 30 June 2013 are as follow:

Name of the grantee	No. of share	No. of share	No. of share	No. of share	No. of share
	options	options granted	options exercised	options lapsed	options
	outstanding	the period from	the period from	the period from	outstanding
	as of	1 January 2013	1 January 2013	1 January 2013	as of
	1 January 2013	to 30 June 2013	to 30 June 2013	to 30 June 2013	30 June 2013
Employees (in aggregate)	90,251,949	—	—	17,129,320	73,122,629

## (2) Share Option Scheme

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

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

## Other Information

The total number of Shares issued and to be issued upon the exercise of the options granted or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Group (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 4 July 2012. Under the Share Option Scheme, each option has a 10-year exercise period. For the period ended 30 June 2013, no option has been granted under the Share Option Scheme except on 12 April 2013, the Company granted in aggregate 3,000,000 share options to qualified employees of the Company to subscribe for a total of 3,000,000 ordinary shares of HK\$0.01 each of the Company. Details of such grant of the share options are as follows:

Date of Grant:	12 April 2013
Exercise Price of each Share under the Share Option:	HKD1.3
Closing Price of Shares immediately before the Date of Grant:	HKD1.3
Closing Price of Shares on the Date of Grant:	HKD1.3
Number of Share Options Granted:	3,000,000
Validity Period of Share Options Granted:	Ten (10) years from the date of grant
Vesting Period of Share Options:	The vesting period of the share options granted is four years. 25% of these share options shall be vested on the date of 1 July 2013, 1 July 2014, 1 July 2015 and 1 July 2016 respectively.

The summary of the share options granted under the Share Option Schemes that were still outstanding as of 30 June 2013 are as follows:

Name of the grantee	No. of share			
	No. of share options granted the period from 1 January 2013 to 30 June 2013	No. of share options exercised the period from 1 January 2013 to 30 June 2013	No. of share options lapsed the period from 1 January 2013 to 30 June 2013	No. of share options outstanding as of 30 June 2013
Employees (in aggregate)	3,000,000	—	—	3,000,000

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

As of 30 June 2013, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity/Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding
Extensive Power Limited <sup>(2)</sup>	Interest in controlled corporation <sup>(2)</sup>	Ordinary Shares	511,725,000(L)	34.69%
Value Boost Limited <sup>(2)</sup>	Beneficial owner	Ordinary Shares	511,725,000(L)	34.69%
Full Health Limited <sup>(3)</sup>	Beneficial owner	Ordinary Shares	87,013,750(L)	5.90%
Well Reach Limited <sup>(4)</sup>	Beneficial owner	Ordinary Shares	97,013,750(L)	6.58%
Sunshine Property I Limited	Beneficial owner	Ordinary Shares	167,887,000(L)	11.38%
Moon Glory Enterprises Limited <sup>(5)</sup>	Beneficial owner	Ordinary Shares	85,387,000(L)	5.79%
Milestone F&B I Limited	Beneficial owner	Ordinary Shares	113,820,000(L)	7.72%
Milestone China Opportunities Fund III, L.P. <sup>(6)</sup>	Interest in controlled corporation <sup>(6)</sup>	Ordinary Shares	113,820,000(L)	7.72%
Milestone Capital Partners III Limited <sup>(7)</sup>	Interest in controlled corporation <sup>(7)</sup>	Ordinary Shares	113,820,000(L)	7.72%

Notes:

- (1) The letter "L" denotes long position in the shares.
- (2) The entire issued share capital of Value Boost Limited is held by Extensive Power Limited (the "Trustee") as the trustee of The Wang Trust. The Wang Trust is a trust established by Wang Huimin ("Ms. Wang") as the settlor and the trustee on 27 August 2011. The beneficiaries of The Wang Trust are Ms. Wang and in the event of her decease her estate administrator. Ms. Wang is deemed to be interested in 511,725,000 Shares held by Value Boost Limited which is wholly-owned by the trustee.
- (3) Wang Hairong owns the entire issued share capital of Wealth Boom Enterprises Limited, which beneficially owns 100% equity interest in Full Health Limited, which in turn owns approximately 5.90% equity interest in the Company.
- (4) Ms. Wang holds on trust for Brilliant South Limited the entire issued share capital of Well Reach Limited, which owns 97,013,750 Shares.
- (5) CITIC Securities Company Limited indirectly holds 100% interests in CITIC Securities International Company Limited, which in turn indirectly holds 72% interests in CITIC Securities International Partners Limited. CITIC Securities International Partners Limited indirectly holds 100% interests in CSI Capital GP Company, Ltd, which in turn indirectly holds 100% interests in CSI Capital GP, L.P. which also in turn indirectly holds 100% interests in CSI Capital L.P. CSI Capital L.P. directly holds 100% interests in Moon Glory Enterprises Limited, therefore all the above entities are deemed to have interest in the shares held by Moon Glory Enterprises Limited.
- (6) Milestone China Opportunities Fund III, L.P. holds 100% shareholding interest in Milestone F&B I Limited and is therefore deemed to be interested in the Shares held by Milestone F&B I Limited.
- (7) James Christopher Kralik indirectly holds 50% interests in Linden Street Capital Limited, which in turn indirectly holds 100% in MCP China Investment Holdings Limited. MCP China Investment Holdings Limited indirectly holds 85% interests in Milestone Capital Investment Holdings Limited, which in turn indirectly holds 100% interests in Milestone Capital Partners III Limited. Milestone Capital Partners III Limited is the general partner of Milestone China Opportunities Fund III, L.P. and is therefore deemed to be interested in the Shares held by Milestone F&B I Limited.



## CHANGE OF MEMBERS OF BOARD

As of 30 June 2013, the change for the Board of directors of the Company was: Mr. Tang Donald Wei has resigned as a non-executive director and a member of the Nomination Committee of the Company with effect from 5 June 2013 for the reason that he needs more time to deal with personal matters.

Ms. Wang Huimin has been appointed as a member of the Nomination Committee of the Company with effect from 5 June 2013.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company regarding directors' transactions of the listed securities of the Company.

Having made specific enquiry of all Directors, all Directors have confirmed that, up to 30 June 2013, they have complied with the required standard of dealings set out in the Model Code.

## CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code of corporate governance. From 1 January 2013 up to 30 June 2013, the Company has been in compliance with all the code provisions in the CG Code.

## AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 30 August 2011 with its terms of reference formulated in accordance with the Listing Rules and the CG Code. The Audit Committee comprises two independent non-executive Directors of the Company, namely Mr. Tsang Henry Yuk Wong and Mr. Wang Yu, and one non-executive Director, namely Mr. Weng Xiangwei. Mr. Tsang Henry Yuk Wong is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company, and discussed about the relevant internal control and financial reporting matters. The Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2013.

By order of the Board  
**Xiao Nan Guo Restaurants Holdings Limited**  
**WANG Huimin**  
*Chairlady*

Shanghai, China, 22 August 2013