上海 小南国
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

Stock Code: 3666

2014
INTERIM REPORT

上海 小南国 SHANGHAI MIN

MAISON DE L'HUI 慧公馆

南小館 the dining room

小小南国 Shanghai Min's Family Restaurant

CONTENTS

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

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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

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

INVESTOR RELATIONS

Ms. Kennese Chan
Email: kennese.chan@xiaonanguo.com

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2014	2013	**% Change**
			Increase/
	(unaudited)	(unaudited)	**(decrease)**
Revenue (RMB'000)	**742,749**	677,551	9.6%
Gross profit[1] (RMB'000)	**498,332**	466,707	6.8%
Gross margin[2]	**67.1%**	68.9%	(1.8%)
Profit for the period attributable to owners of the Company[3] (RMB'000)	**578**	31,831	(98.2%)
Net profit margin[4]	**0.1%**	4.7%	(4.6%)
Earnings per share — Basic	**RMB0.04 cents**	RMB2.2 cents	
Interim dividend per share (HK cents)	—	0.8	
Number of restaurants (as at 30 June)	**88**	75	

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 A one-time write-off of store closure of RMB4.9 million is included.

4 Net profit margin is calculated as profit for the period attributable to owners of the Company divided by revenue.

OVERVIEW

Our industry: irreplaceable demand and steady market recovery

Catering is an old industry. Its significance has far surpassed the need to survive. In China, dining has a more significant meaning of communication, reunion, family and success. Every aspect of our life is embodied by way of dining.

The mid- to high-end catering market experienced fluctuation in 2013. The catering sector was seriously affected by the Central Government's series of austerity measures launched in December 2012 to crack down on corruption and extravagant spending of public funds. The nationwide catering revenue growth shrank from about 14% in 2012 to 9% in 2013 – the slowest growth recorded over the past 22 years. As we mainly engaged in the mid- to high-end market, the same-store revenue and the operating profit margin of the Company were each at the lowest point in 2013.

In the first half of 2014, the steady recovery trend of nationwide catering market was obvious. According to The Catering Market Analysis Report during the first half of 2014 issued by China Cuisine Association, nationwide catering revenue amounted to RMB1,298.9 billion from January to June, representing a year-on-year increase of 10.1% and an increase of 1.4 percentage points compared to the same period of last year. During the same period, revenue from catering enterprises above limit amounted to RMB377.3 billion, which marked a turnaround to record a growth of 2.9% compared to the negative growth in last year. The report also reflected that the mid- to high-end catering industry remained stagnant, and operations closure, suspension and transformation took place frequently. On the other hand, further urbanization[1] has driven the popularity of dining out, and hence the demand and supply of the industry are increasing persistently, which has resulted in a more intense market competition.

Our strategies: continuation of standardization for replication and multi-brand strategy; differentiation of products and brands in different market segments, and improvement of headquarters' functions to reach economies of scale

Facing with opportunities and changes in the industry development, we will continue to capitalize on our exisiting standardized replication advantages according to different market segments and demands, and orderly speed up the implementation of multi-brand strategy. As for the mid- to high-end market (our current major source of revenue), we will strengthen the brand advantages of "Shanghai Min" and "Maison De L' Hui" to further establish our industry position and influence by leveraging on the industrial consolidation. As for the mass catering market that we have entered into via "the dining room" brand since 2012, in addition to the opening of "the dining room" brand stores, we will make a comprehensive analysis on the dining purpose and perference of consumers, and will adapt and lead their need for dining via different brands and business segments.

Our new brand development direction is 1) to focus on mid-end mass catering market; 2) to bring in state-of-the-art restaurant formats from abroad; 3) to operate causal and stylish restaurant ambience targeting at younger generation; 4) to operate specialty store with simpler menu; and 5) to achieve standardization easily and replicate. With the launch of various new products, brand influence, the comprehensive mechanism of headquarters, the management systems across 18 cities, and the increasingly matured experience in standardized replication, the Group will gradually realize the benefits of economies of scale.

1 Accorinding to the data issued by the National Bureau of Statistics, the urbanization rate has reached 53.73% in 2013, representing an increase of 1.16 percentage points compared to 2012, and an increase of 13.23% in 10 years.

Our execution: establishment of seven business units for our different brands targeting different markets; maintenance of a balance between resources allocation and cost savings

To ensure effective implementation of the Company's strategy, our management structure underwent a major reorganization in the first half of the year and seven business units were established according to the business segment of different restaurants. We will react to the market demand more appropriately and swiftly by integrating the authorization given to general manager of business units as well as the control and management of the headquarters.

On the cost control front, we strictly controlled various expenses by optimizing the savings of capital expenditure, integration of procurement resources, traveling and meeting expenses, and rental and energy expenses, so as to gradually improve the profitability of the Company. On the other hand, the Company gave priority to the introduction and development of new brands, recruitment of high caliber staff, improvement of the fringe benefits and working conditions of the operational staff, and the promotion of corporate culture, so as to ensure the human capital and products were adequate for future development.

FINANCIAL PERFORMANCE

In the first half of 2014, the Group reported a year-on-year revenue increase of 9.6% to RMB742.7 million, and during the period, gross profit increased by 6.8% to RMB498.3 million, which was primarily attributable to the revenue increase from new restaurants opened in 2013. In the first half of 2014, profit for the period attributable to owners amounted to approximately RMB0.6 million, representing a decline of RMB31.3 million as compared to the profit of RMB31.8 million in the same period of 2013, but improved from a loss of RMB30.8 million in the second half of 2013 (decline in loss of RMB31.3 million).

OPERATIONS REVIEW FOR THE FIRST HALF OF 2014

The Company's overall operations improved compared to the second half of 2013

After the implementation of development strategy and a series of business reforms, same-store sales of the Group reported a year-on-year decline of 1.8% in the first half of the year compared to a decline of same-store sales of 10% in 2013. The same-store sales decreased by 4.3% in the first quarter of the year compared to the same period of last year. It showed that the decline had slowed down significantly. We achieved a same-store sales growth of 1.1% in the second quarter of the year compared to the same period of last year, which reflected a slow pickup. Although the Company recorded a loss in the second half of 2013, we attained a turnaround to profit in the first half of 2014. Meanwhile, there were improvements in the gross margin (67.1%), selling and distribution costs to revenue (60.9%) and general and administrative expenses to revenue (8.3%) in the first half of the year, compared to that of 65.0%, 61.2% and 8.9% respectively in the second half of last year.

Transformation of Shanghai Min brand was stabilized, same-store performance was improved and business was recovered gradually

The Central Government's austerity measures to prohibit use of public funds for entertainment significantly impacted the demand for our Shanghai Min brand restaurants. Our same-store sales declined by 10% in 2013 as a result of the lower demand. Challenges come along with opportunities. Although the supply of mid- to high-end catering reduced correspondingly as a result of the industrial consolidation[2], the demand for business and personal consumption was not affected by the policy. After a series of timely and effective measures, same-store sales of Shanghai Min brand recorded a year-on-year decline of 4.9% in the first quarter and a year-on-year increase of 0.4% in the second quarter, demonstrating signs of recovery. Same-store operating profit margin of the Shanghai Min brand increased from 7.9% in the second half of 2013 to 10.0% in the first half of 2014.

2 According to the "Analysis on the Catering Market in the First Half of 2013 and the Forecast for the Second Half" issued by the China Cuisine Association, 2,168 outlets in the Beijing catering market were closed in the first half of 2013, 64 mid- to high-end outlets in the Nanjing catering market were closed in the first half of 2013; and the wave of store closure of high-end catering enterprises appeared in Guangdong, Liaoning and Shanghai.

The gradual recovery of business under Shanghai Min brand was mainly attributable to the following measures:

- Reduced density of restaurants in certain markets as well as closed or suspended loss-making outlets. As of 28 August 2014, a loss-making store in Wuxi was closed, a profit-making store in Shanghai was closed due to the change of landlord, and 3 loss-making stores in Dalian and Shanghai were suspended. As for the suspended loss-making outlets, we either sub-contracting, negotiating rent or waiting for the rejuvenation of business districts depending on different conditions, in order to prevent the Company from asset loss. The closed or suspended stores recorded an accumulated operating loss of RMB5.5 million in the second half of 2013 and a further loss was mitigated via timely adjustment. In the second half of the year, we will continue to pay attention to and improve the loss-making stores, and will prepare to close or discontinue the operation of stores based on different conditions. Given the improvement of same-store sales revenue since the second quarter, it is expected that less than 8 stores will be closed or suspended in the whole year.

- We divided the existing 63 Xiao Nan Guo restaurants in China into business banquet stores and personal consumption stores targeting different geographic markets, different business districts and different consumer groups:

  ➢ As for the business banquet stores, we further improved the service quality and dining environment, so as to satisfy customers' demand for quality. Taking the 10 banquet stores in Shanghai as an example, same-store customer traffic in the first half of the year improved 12.4%, and same-store expenditure per capita stood at RMB272, which were in par with that of last year.

  ➢ As for the personal consumption stores, we adjusted the expenditures per capita via various measures, such as organizing promotional activities with third-party websites, launch of set meals, stored value membership card, reduction of menu price in certain cities, so as to satisfy customers' demand for performance-price ratio. Although same-store expenditure per capita of these stores reduced 8.1% to RMB184 in the first half of the year, same-store customer traffic increased by 3.3%. The customer traffic increased by 7.9% and the expenditure per capita decreased by 9.1% in the second quarter.

- Gradually enhanced sales capabilities of various stores upon the establishment of sales division and the provision of service training of sales and soft techniques to stores. In the first half of 2014, revenue from banquets was RMB67.6 million, recorded a same-store sales growth of 4.2% even under the Central Government's austerity measures on the use of public funds. Sales revenue from packaging products increased by 23.1% to RMB18.5 million compared to the same period of last year, with a same-store growth of 8.7%. A stored value membership card programme was launched in Shanghai on 1 April 2014, which contributed a sales revenue of card consumption of RMB45.8 million in the second quarter[3] and accounted for 22.8% of the total sales revenue of restaurants in Shanghai in the same period.

As of 30 June 2014, 3 new Shanghai Min restaurants were opened, and there were 73 Shanghai Min brand outlets in total. It is expected that 1 to 2 new stores will be opened in the second half of 2014.

3 The Group entered into a Pre-paid Cards Agreement (the "Agreement") in 2014 with Shanghai Xiao Nan Guo Enterprises Service Information Development Limited, a company indirectly owned by Wang Bai Xuan Tiffany who is the daughter of Ms. Wang Huimin ("Ms. Wang"), the chairlady, executive director and a controlling shareholder of the Company. Pursuant to the Agreement, the pre-paid cards can be used at the Shanghai Min Restaurants, the WH Ming Hotel (a hotel owned by Ms. Wang) as well as other businesses operated by Ms. Wang.

The first "Shanghai Min's Family Restaurant" began trail operation and is planned to open another one in the second half of the year

In the first half of the year, we opened the first Chinese restaurant under the new dining brand of "Shanghai Min's Family Restaurant" in Shanghai for a trial of offering a personal consumption model with casual dining settings. The brand's current average spending per capita is RMB83, and it is in the phase of fine-tuning products and services. We planned to open a new store in the second half of the year.

"the dining room" brand was expanded as planned and gained popularity in various cities

We launched "the dining room" brand for the mass consumer market in 2012. The number of stores was 9 as at 30 June 2014, and their distribution is as follows:

	2012	2013	**Newly opened in 2014**	Brand transferred in the first half of the year	Total
Hong Kong	2	1	—	—	3
Shanghai	—	2	**1**	—	3
Shenzhen	—	2*	**1**	-1	2
Beijing	—	—	**1**	—	1
Total	2	5	**3**	-1	9

* The brand of "the dining room" in Shenzhen Airport has changed to "TDR Express" (南小館快捷)

As the number of stores increased, the sales revenue from "the dining room" restaurants as a percentage of total revenue of the Group increased from 3.3% in the first half of 2013 to 6.6% in the first half of 2014. The same-store sales growth rate from "the dining room" restaurants opened in 2012 was 3.1%.

Apart from "the dining room" opened in 2014, the overall operating profit margin of restaurants under "the dining room" in Shanghai, Shenzhen and Hong Kong in the first half of 2014 was 12.2%, average table turnover rate was more than 4 times and average daily customer traffic per store was more than 500 people. As the operation of restaurants under "the dining room" which were opened in the second half of 2013 became stabilised, the overall operating profit margin of the above 6 "the dining room" restaurants reached 14.9% in June 2014.

In the second half of the year, we plan to open 7 to 9 "the dining room" restaurants, which will bring up the number of new restaurants opened in the year to 10 to 12, and the total number of restaurants will increase to more than 15. As of 28 August 2014, the total number of "the dining room" restaurants increased to 11, and they had entered into the second-tier cities. We are also going to adjust the price of "the dining room" in the second-tier cities, which was lower than that of the restaurants in the first-tier cities such as Shanghai, Beijing and Hong Kong, in order to adapt to the purchasing power in local markets.

Throughout the development of "the dining room", we adhered to the concept of standardized replication, and timely adjusted our products and services according to our development. We changed the brand of "the dining room" in Shenzhen Airport to "TDR Express", and reduced the number and combination of products appropriately, so as to adapt to the demand of speedy food production of the airport customers.

Maison De L' Hui brand experienced growth in time of adversity

Despite the adverse market environment, our high-end brand, Maison De L' Hui, achieved a same-store sales growth of 7.6% in the first half of the year, and the loss of operating profit decreased RMB2.9 million compared to the second half of last year. We believe that the high-end catering market that provides elegant environment, attentive service and quality products will benefit from the economic development and the continuous trend of consumers' premiumisation in China. We will continue to upgrade the operating level of the existing 3 Maison De L' Hui restaurants in operation[4] and we have no plan to open new store in the short term.

Rapid expansion of managed stores selling simple, trendy and fast-moving products

At the end of 2013, we started to manage the stores of the "Uncle Tetsu" Cheese Cake brand in certain cities, so as to engage in the business of managing stores selling simple and fast-moving products. The business has a huge market and enormous potentials as young consumers are willing to buy trendy and simple products with high performance-price ratio. On the other hand, the business encounters the operating pressure of a shorter product life cycle. Hence, it is our development strategy to seek for products that are trendy, delicious, simple and easy to replicate, and capitalize on the existing functions of our headquarters to provide store opening, operation and management services (such as development, operation and logistics) for third parties, so as to leverage our platform and management advantages. Also, taken into consideration of the shorter product life cycle and the pressure of operating cross-region stores during the rapid store-opening process, the Company will refrain from investing capital directly into the directly-operated stores format, in order to reduce operating risks.

There are currently 16 Cheese Cake Bakery stores under our management, and they contributed net revenue of management fees of RMB3.4 million to the Group in the first half of the year[5]. We sought to pursue other start-up products which have high potential in the market, so as to enlarge and enrich our existing platform.

4 The operation of another Maison De L'Hui in Ningbo was suspended and subcontracted to a third party.

5 The Cheese Cake Bakery managed by us was invested and opened by Shanghai Huimei Restaurant Management Co., Ltd. ("Shanghai Huimei"), which is indirectly 69% owned by Ms. Wang. Pursuant to the continuing connected transaction announcement issued by the Company on 22 April 2014, the Company and Shanghai Huimei entered into the Management Service Agreement. Pursuant to the Management Service Agreement, in 2014, Shanghai Huimei paid to the Company management service fees which accounted for 10% of the revenue. The Company will negotiate the management fee rate and profit sharing with Shanghai Huimei according to the business.

Benefiting from the experience of operating the "Uncle Tetsu" Cheese Cake Bakery, we continued to seek for outstanding brands and products, and explore relevant business opportunties. In August 2014, we cooperated with a third-party entrepreneur to establish a milk tea brand in the form of licenses for nationwide development. Both parties have 50% interests in the brand company. The brand company engaged in the business of licensing Hong Kong style milk tea stores. In the operation of the brand company, we will provide the functions of research and development, operation and logistics, while the cooperation party will provide product formula, production technologies and certain operation management consultation and brand promotion services. The 4 milk tea stores currently authorized by the brand company drew attention of the market at the time when the operation commenced[6]. It is expected that the brand company will authorise to open more than 30 milk tea stores in the second half of the year, and the majority of these stores will be operated by independent third parties. The brand company will receive at least 4% of turnover as management fees.

Although this management business is not our principal business, it is an important attempt for the Company's headquarters to release its functions. It reflected that our ongoing establishment of headquarters over the years realized economies of scale.

Introduction of overseas premium brands and planning of entering into the high-growth market

In addition to self-developed new brands, we will also introduce international brands, especially those with strong growth momentum and potential for replication within a market segment. We note that Japanese restaurants and casual western restaurants have a larger development potential[7] in China market, and the well-developed international premium brands will provide us products tested by the market, mature management experience and brand new catering concepts.

Under the guidance of this strategy, we reached a joint venture agreement before 30 June 2014 with Oreno Corporation (俺の株式会社), a well-known company in Japan, pursuant to which the joint venture (as the "俺の" brand company) entered into a franchise contract with Oreno Corporation (俺の株式会社) before August, with a shareholding of 68% by the Company and 32% by the Japanese company. The joint venture will develop an "俺の" restaurant brand providing Japanese and western cuisine in the Greater China region. Preparatory work for new store, such as selecting stores sites and training, are being conducted. It is expected that the branded restaurants will be opened in Shanghai or Hong Kong in the first quarter of 2015.

In the meantime, we are seeking opportunities to cooperate with a well-known brand of casual western restaurant in the USA, so as to introduce new management philosophy and trendy catering concept. We are also seeking for merger and acquisition targets in the market.

6 Of which, 1 milk tea store was opened by Shanghai Huimei with the authorization of the brand company. Shanghai Huimei may be authorized to open some milk tea stores in the future and the brand company will charge at least 4% of turnover as management fees.

7 Based on the 2013 Shanghai Consumption Report published by Dazhong Dianping Online Review, as for the full-service meal in 2013, foreign cuisine such as Japanese and western cuisiness is the most popular cuisine in Shanghai. The report showed that, apart from local Jiangsu and Zhejiang cuisines, Japanese and western cuisines ranked the top three among the most popular cuisine types in Shanghai.

Leveraging on e-commerce platform to achieve edge on OtoO interaction

We diversified our new customer channels and set a clearer resources management for sales by driving OtoO strategy via e-commerce platforms this year. The Company maintained a stable long-term cooperation with mainstream online platforms, such as Dazhong Dianping Online Review, Tao Dian Dian (淘點點) and Mei Tuan (美團). We wish to highlight that our sales volume ranked the second largest among the participating companies in the "3 • 8手機淘寶生活節" organised by Tao Dian Dian (淘點點) on 8 March 2014. According to a customer satisfaction survey conducted by Tao Dian Dian (淘點點), we attained the highest score and it was one of the most successful marketing activities organized by the Company in the first half of the year. In the first half of 2014, OtoO platforms accounted for 7.8% of the turnover and 9.6% of the customer traffic of the Company, while the turnover and customer traffic were 3.4% and 5.4% respectively in the same period of last year. On the other hand, the Company is upgrading the POS and CRM systems to connect the interfaces of various systems, enhance our capabilities to meet the demand for external online platforms, and further enhance the customer satisfaction of OtoO.

Maintained balance between resources allocation and costs saving

In the first half of 2014, we continued to optimize our cost structure. We opened 7 new stores, and the average investment amount per store decreased by 31.0% compared to the same period of last year. It was because our construction cost of "the dining room" restaurants was lower than that of "Shanghai Min" brand. Although we introduced a series of marketing and promotional activities, our gross profit margin was effectively controlled at 67.1% in the first half of the year. Our overall rental level reduced by 0.3% as compared with the second half of last year via effective negotiation and adjustment.

On the other hand, we continue to encounter upward pressure in our labour cost, the ratio of operating labour cost to revenue increased by 1.0% and it was more difficult to recruit labour in the first-tier cities. We kept adhering to the people-oriented corporate culture. In the first half of the year, the salary level of our operational staff increased by 1.75%. We allocated RMB16.9 million to improve the working and living environment and dining conditions of our staff, and made great efforts to promote our corporate culture. At the headquarters level, we continued to opt for survival of the fittest. Departments and positions were rationalized and integrated, with non-critical expenditures being streamlined. In the first half of 2014, the entire headquarters expenses amounted to RMB61.6 million, and the ratio of headquarters expenses to revenue was 8.3%, down from 8.9% in the second half of 2013. The Company gave priority to the introduction and development of new brands, recruitment of high caliber staff, improvement of the fringe benefits and working conditions of the operational staff, and the promotion of corporate culture, so as to ensure the human capital and products were adequate for future development.

FINANCIAL REVIEW

For the six months ended 30 June 2014, the Group's revenue reached RMB742.7 million, representing an increase of RMB65.2 million or 9.6% compared to RMB677.6 million for the six months ended 30 June 2013. The gross profit of the Group achieved RMB498.3 million, an increase of approximately RMB31.6 million from RMB466.7 million for the same period of 2013. For the six months ended 30 June 2014, the profit attributable to owners of the Company amounted to approximately RMB0.6 million, a decrease of RMB31.3 million compared to the profit for the same period of 2013, but a decline in loss of RMB31.3 million compared to the second half of 2013.

As at 30 June 2014, the Group operated a restaurant network of 73 "Shanghai Min" restaurants, 4 "Maison De L'Hui" restaurants, 9 "the dining room" restaurants, 1 "Shanghai Min's Family Restaurant" (Note (ii)), and 1 "TDR Express" (Note (iii) restaurant which cover some of the most affluent and fast-growing cities in China (Note (iv)), Hong Kong and other regions. The following table sets forth revenue and the number of the restaurants in operation, by geographical region and brand, as at 30 June 2014 and 2013.

	Six months ended 30 June			
	2014		2013	
	Number of restaurants	**Revenue RMB'000 (unaudited)**	Number of restaurants	Revenue RMB'000 (unaudited)
China (Note (iv))				
– Shanghai Min	**63**	**560,616**	58	543,444
– Maison De L'Hui	**4**	**23,554**	4	23,751
– the dining room	**6**	**19,682**	1	—
– Shanghai Min's Family Restaurant (Note (ii))	**1**	**2,067**	—	—
– TDR Express (Note (iii))	**1**	**3,911**	—	—
Hong Kong				
– Shanghai Min	**9**	**87,468**	9	87,864
– the dining room	**3**	**29,222**	3	22,031
Macau				
– Shanghai Min	**1**	**14,835**	—	—
Total revenue of restaurant operations (Note (i))	**88**	**741,354**	75	677,090
Other revenue		**1,395**		461
Total revenue		**742,749**		677,551

Notes:

(i) Total revenue of restaurant operations included revenue of restaurant operations and packaging products of restaurants.

(ii) Shanghai Min's Family Restaurant in China commenced operation on 26 March 2014, and there is one outlet in total.

(iii) The brand of "the dining room" in Shenzhen Airport has changed to "TDR Express".

(iv) The People's Republic of China (the "PRC"), for the purpose of this report and for geographical reference only, excluding Hong Kong, Macao and Taiwan.

Revenue

Revenue of the Group increased by RMB65.2 million, or 9.6%, from RMB677.6 million for the six months ended 30 June 2013 to RMB742.7 million for the six months ended 30 June 2014. This increase was due to an increase of RMB64.3 million in total revenue of restaurant operations and an increase of RMB0.9 million in other revenue during the period.

Total revenue of restaurant operations

Total revenue of restaurant operations increased by RMB64.3 million, or 9.5%, from RMB677.1 million for the six months ended 30 June 2013 to RMB741.4 million for the six months ended 30 June 2014 primarily reflecting:

- an increase of RMB5.5 million in revenue from 3 "Shanghai Min" restaurants that were newly opened during the six months ended 30 June 2014;
- an increase of RMB111.1 million in revenue from 14 "Shanghai Min" restaurants that were opened in 2013;
- a decrease of RMB11.3 million, representing a decrease of 2.4%, in comparable restaurants sales (note (i)) from 48 "Shanghai Min" restaurants from the six months ended 30 June 2013 to the six months ended 30 June 2014;
- an increase of RMB2.1 million in revenue from the first "Shanghai Min's Family Restaurant" that was newly opened during 2014.
- an increase of RMB1.7 million, representing an increase of 7.6%, in comparable restaurants sales (note (i)) from 3 Maison De L'Hui from the six months ended 30 June 2013 to the six months ended 30 June 2014;
- a revenue of RMB2.2 million from 3 "the dining room" restaurants that were newly opened during 2014;
- an increase of RMB24.1 million in revenue from 4 "the dining room" restaurants that were opened in 2013;
- an increase of RMB0.6 million, representing an increase of 3.1%, in comparable restaurants sales (note (i)) from 2 "the dining room" restaurants from the six months ended 30 June 2013 to the six months ended 30 June 2014;
- the brand of "the dining room" restaurant in Shenzhen Airport has changed to "TDR Express", and contributed a revenue of RMB3.9 million in the first half of 2014.
- the closure of 8 stores in 2013, the closure of 2 stores in the first half of 2014, and the suspension, renovation and subcontraction or proposed suspension, renovation and subcontraction of 9 stores in 2013 and the first half of 2014 incurred a decline in revenue of RMB75.5 million.

Note (i): As a whole, our comparable restaurant sales from 53 restaurants (including "Shanghai Min" restaurants, "Maison De L' Hui" restaurants and "the dining room" restaurants) decreased by RMB9.0 million, representing a decrease of 1.8% from the six months ended 30 June 2013 to the six months ended 30 June 2014.

Other revenue

Other revenue refers to revenue from other channels of packaging products' businesses increased by RMB0.9 million, from RMB0.5 million for the six months ended 30 June 2013 to RMB1.4 million for the six months ended 30 June 2014, which primarily reflected the increase in sales of the branded packaging products in other sales channels in addition to stores of the Group.

Cost of inventories consumed

Cost of inventories consumed increased by RMB33.6 million, or 15.9%, from RMB210.8 million for the six months ended 30 June 2013 to RMB244.4 million for the six months ended 30 June 2014.

Cost of inventories consumed as a percentage of the revenue increased from 31.1% for the six months ended 30 June 2013 to 32.9% for the six months ended 30 June 2014, but decreased by 2.1 percentage points compared with that in the second half of 2013, primarily reflecting i) from the second half of 2013, it began to increase efforts of promotion, such as stored value cards discounts, packaging discounts and promotional drinks in order to facilitate loyalty among existing customers and broaden target customer group; ii) specific price adjustment on menus in some restaurants located in second-tier cities to increase performance-price ratio.

Other income

Other income increased by RMB0.4 million, from RMB24.6 million for the six months ended 30 June 2013 to RMB25.0 million for the six months ended 30 June 2014, remaining stable as a whole.

Selling and distribution costs

Selling and distribution costs increased by RMB56.1 million, or 14.2%, from RMB396.2 million for the six months ended 30 June 2013 to RMB452.3 million for the six months ended 30 June 2014, which primarily reflected the expansion in operations for the six months ended 30 June 2014.

Labor costs related to the restaurants, central kitchens and central warehouses increased by RMB22.6 million, or 14.4%, from RMB157.1 million for the six months ended 30 June 2013 to RMB179.7 million for the six months ended 30 June 2014. As a percentage of our revenue, labor costs slightly increased from 23.2% for the six months ended 30 June 2013 to 24.2% for the six months ended 30 June 2014, with a slight decrease of 0.1 percentage point as compared with that in the second half of 2013, primarily reflecting (i) an increase in salary level of employees for the six months ended 30 June 2014 as compared to the same period of last year; and (ii) an increase in the labor costs brought by our new restaurants for the six months ended 30 June 2014.

Occupancy costs related to restaurants, central kitchens and central warehouses increased by RMB14.0 million, or 12.1%, from RMB116.1 million for the six months ended 30 June 2013 to RMB130.1 million for the six months ended 30 June 2014. As a percentage of our revenue, occupancy costs increased from 17.1% for the six months ended 30 June 2013 to 17.5% for the six months ended 30 June 2014, but decreased by 0.3 percentage point as compared with the second half of 2013.

Depreciation expenses related to the restaurants, central kitchens and central warehouses increased by RMB11.0 million, or 23.2%, from RMB47.4 million for the six months ended 30 June 2013 to RMB58.4 million for the six months ended 30 June 2014. As a percentage of our revenue, depreciation expenses increased from 7.0% for the six months ended 30 June 2013 to 7.9% for the six months ended 30 June 2014, but decreased by 0.1 percentage point as compared with that in the second half of 2013.

General and administrative expenses

Administrative expenses increased by RMB11.7 million, or 23.4%, from RMB49.9 million for the six months ended 30 June 2013 to RMB61.6 million for the six months ended 30 June 2014, and as a percentage of our revenue, administrative expenses increased from 7.4% to 8.3% during the same periods. It primarily reflected that i) we commenced the multi-brand strategy, such as "Uncle Tetsu", milk tea store brand and hotel business cooperation model, which has resulted in relevant increase of expenses; ii) we put more efforts in various marketing initiatives, which has resulted in an increase of relevant costs. However, under our continuous effort in costs control, the administrative expenses during the period has improved from 8.9% in second half of 2013.

Other expenses

Other expenses of RMB5.9 million for the six months ended 30 June 2014 were mainly attributable to a one-time write-off of store closure of RMB4.9 million.

Income tax expenses

Income tax expenses decreased by RMB8.7 million, or 90.6%, from RMB9.6 million for the six months ended 30 June 2013 to RMB0.9 million for the six months ended 30 June 2014, primarily reflecting a decrease in profit before tax during the same period.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit for the period attributable to owners of the Company decreased by RMB31.3 million from RMB31.8 million for the six months ended 30 June 2013 to RMB0.6 million in the six months ended 30 June 2014. The net profit margin decreased from 4.7% for the six months ended 30 June 2013 to 0.1% for the six months ended 30 June 2014, but when compared to the loss in the second half of 2013, the loss decreased by RMB31.3 million.

Dividends payable

For the six months ended 30 June 2014, the Group did not pay dividends. As at 30 June 2014, there were 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 2014, the Group's total interest-bearing bank loans were RMB228.0 million. The gearing ratio was 18.2%.

The Group had net cash inflows from operating activities of RMB30.2 million for the six months ended 30 June 2014 (for the six months ended 30 June 2013: RMB29.9 million). As at 30 June 2014, the Group had RMB305.5 million in cash and cash equivalents (30 June 2013: RMB330.5 million). The following table sets out certain information regarding the consolidated cash flows for the period ended 30 June 2014 and 2013.

	For the six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash flows from operating activities	**30,153**	29,927
Net cash flows used in investing activities	**(77,031)**	(92,584)
Net cash flows from/(used in) financing activities	**25,020**	(20,451)
Net decrease in cash and cash equivalents	**(21,858)**	(83,108)
Cash and cash equivalents at the beginning of the period	**324,499**	416,797
Effect of foreign exchange rate changes, net	**2,898**	(3,150)
Cash and cash equivalents at the end of the period	**305,539**	330,539

Operating activities

Net cash inflow from operating activities increased by RMB0.2 million from RMB29.9 million for the six months ended 30 June 2013 to RMB30.2 million for the six months ended 30 June 2014, which is basically the same.

Investing activities

Net cash flow used in investing activities was RMB77.0 million in the six months ended 30 June 2014, compared with RMB92.6 million for the same period in 2013. It was mainly due to the decrease in investments in associates and available-for-sale investments as compared to the same period of last year. The subsidiaries or associates did not have any material disposal or acquisition.

Financing activities

Net cash flow generated from financing activities changed from a cash outflow of RMB20.5 million during the six months ended 30 June 2013 to a cash inflow of RMB25.0 million during the six months ended 30 June 2014, representing a decrease of RMB45.5 million, which was primarily attributable to (i) the slight increase of bank loans; and (ii) no dividend paid for this period.

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 2014 and 30 June 2013 are denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure of foreign exchange risk.

Contingent liabilities

There were no significant contingent liabilities for the Group as at 30 June 2014 and 31 December 2013.

Operating lease arrangements

As lessee

The Group leases certain of its offices and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 5 to 12 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within one year	**214,063**	244,530
In the second to fifth years, inclusive	**694,406**	814,450
After five years	**356,502**	410,458
	1,264,971	1,469,438

Capital commitment

Capital commitments were approximately RMB32.9 million and RMB51.4 million as at 30 June 2014 and 31 December 2013, respectively.

Human resources

The salary level of employees in the China restaurant industry has been generally increasing in recent years. Employee attrition level tend to be higher in the catering industry than other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 30 June 2014, the Group recruited about 5,744 employees in China, Hong Kong and other regions. During the six months ended 30 June 2014, total staff cost was RMB220.0 million, accounting for 29.6% of the revenue (six months ended 30 June 2013: RMB193.7 million, 28.6% of the revenue), decreased by 0.4 percentage point compared with that in the second half of 2013.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2014

	Notes	Six-month period ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
REVENUE	4	**742,749**	677,551
Cost of inventories consumed		**(244,417)**	(210,844)
Gross profit		**498,332**	466,707
Other income	4	**24,977**	24,616
Selling and distribution costs		**(452,293)**	(396,225)
Administrative expenses		**(61,608)**	(49,887)
Other expenses		**(5,853)**	(51)
Finance costs	6	**(2,360)**	(3,762)
PROFIT BEFORE TAX	5	**1,195**	41,398
Income tax expense	7	**(905)**	(9,574)
PROFIT FOR THE PERIOD		**290**	31,824
Attributable to:			
Owners of the Company		**578**	31,831
Non-controlling interests		**(288)**	(7)
		290	31,824
Earnings per share attributable to ordinary equity holders of the Company			
– Basic	9	**RMB0.04 cents**	RMB2.2 cents
– Diluted	9	**RMB0.04 cents**	RMB2.2 cents

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 June 2014

	Six-month period ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
PROFIT FOR THE PERIOD	**290**	31,824
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**3,408**	(4,332)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**3,408**	(4,332)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3,698**	27,492
Attributable to:		
Owners of the Company	**3,986**	27,499
Non-controlling interests	**(288)**	(7)
	3,698	27,492

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2014

	Notes	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment	10	**680,507**	685,506
Intangible assets		**3,868**	4,500
Investments in an associate		**10,000**	10,000
Available-for-sale investments		**10,100**	10,100
Long-term rental deposits		**60,810**	54,975
Deferred tax assets		**69,803**	58,869
Other long-term assets		**263**	369
Total non-current assets		**835,351**	824,319
CURRENT ASSETS			
Inventories	11	**40,267**	49,901
Trade receivables	12	**15,647**	16,214
Prepayments, deposits and other receivables	13	**141,616**	151,243
Cash and cash equivalents	14	**305,539**	324,499
Total current assets		**503,069**	541,857
CURRENT LIABILITIES			
Trade payables	15	**84,465**	84,808
Derivative financial instruments		**—**	401
Interest-bearing bank loans	16	**228,018**	203,236
Tax payable		**12,286**	16,715
Other payables and accruals	17	**167,817**	224,285
Deferred income		**242**	1,398
Total current liabilities		**492,828**	530,843
NET CURRENT ASSETS		**10,241**	11,014
TOTAL ASSETS LESS CURRENT LIABILITIES		**845,592**	835,333

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
NON-CURRENT LIABILITIES		
Long-term payables	**54,875**	51,345
Deferred tax liabilities	**716**	716
Total non-current liabilities	**55,591**	52,061
Net assets	**790,001**	783,272
EQUITY		
Equity attributable to owners of the Company		
Issued share capital	**12,063**	12,047
Reserves	**773,630**	766,629
	785,693	778,676
Non-controlling interests	**4,308**	4,596
Total equity	**790,001**	783,272

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2014

		Attributable to owners of the Company											
	Note	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As of 1 January 2014		12,047	473,301	60,174	(69,246)	12,898	(17,330)	11,725	295,107	—	778,676	4,596	783,272
Profit for the period		—	—	—	—	—	—	—	578	—	578	(288)	290
Other comprehensive income for the period:													
Exchange differences on													
translation of foreign operations		—	—	—	—	—	3,408	—	—	—	3,408	—	3,408
Total comprehensive income for the period		—	—	—	—	—	3,408	—	578	—	3,986	(288)	3,698
Issue of shares		16	2,219	—	—	—	—	(204)	—	—	2,031	—	2,031
Equity-settled share option arrangements		—	—	—	—	—	—	1,000	—	—	1,000	—	1,000
As of 30 June 2014 (unaudited)		12,063	475,520	60,174	(69,246)	12,898	(13,922)	12,521	295,685	—	785,693	4,308	790,001
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
Capital contribution		—	—	—	—	—	—	—	—	—	—	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	8	—	—	—	—	—	—	—	(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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2014

	Notes	Six-month period ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Cash flows from operating activities			
Profit before tax:		**1,195**	41,398
Adjustments for:			
Finance costs	6	**2,360**	3,762
Interest income	4	**(989)**	(2,688)
Depreciation	10	**59,163**	49,887
Amortisation of intangible assets		**632**	569
Amortisation of other long-term assets		**106**	106
Loss on disposal of items of property and equipment		**4,004**	74
Equity-settled share option expense	18	**1,000**	800
		67,471	93,908
Decrease in inventories		**9,634**	14,410
Decrease in trade receivables		**567**	13,863
Increase in prepayments, deposits and other receivables		**(250)**	(24,832)
Decrease in trade payables		**(343)**	(21,829)
Decrease in other payables and accruals		**(27,197)**	(12,970)
Increase in long-term rental deposits		**(5,835)**	(976)
Increase in long-term payables		**3,530**	2,680
Decrease in deferred income		**(1,156)**	(1,176)
Cash generated from operations		**46,421**	63,078
Income tax paid		**(16,268)**	(33,151)
Net cash generated from operating activities		**30,153**	29,927
Cash flows from investing activities			
Purchases of items of property and equipment		**(86,020)**	(81,761)
Proceeds from disposal of items of property and equipment		**8,000**	—
Purchases of intangible assets		—	(511)
Advance for purchase of available-for-sale investments		—	(3,000)
Purchase of investments in an associate		—	(10,000)
Interest received		**989**	2,688
Net cash used in investing activities		**(77,031)**	(92,584)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2014

	Notes	Six-month period ended 30 June 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Cash flows from financing activities			
Proceeds from issue of shares		**3,908**	—
Repayment of bank loans		**(95,218)**	(156,795)
Proceeds from new bank loans		**120,000**	170,271
Capital contribution from the non-controlling interests		—	1,996
Dividends paid		—	(30,991)
Interest paid		**(3,670)**	(4,932)
Net cash generated from/(used in) financing activities		**25,020**	(20,451)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(21,858)**	(83,108)
Cash and cash equivalents at beginning of the period		**324,499**	416,797
Effect of foreign exchange rate changes - net		**2,898**	(3,150)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**305,539**	330,539
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	**301,205**	237,275
Time deposits with original maturity of less than three months	14	**4,334**	93,264
Cash and cash equivalents as stated in the statement of cash flows		**305,539**	330,539

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 "Listing").

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, Hong Kong and other regions. 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 30 June 2014 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 28 August 2014.

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 2013.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDEARDS ("IFRS")

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the new and revised standards and interpretations as of 1 January 2014, noted below:

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

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 (2014)	*Financial Instruments*[4]
IFRS 11 Amendments	Amendments to IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[2]
IFRS 15	*Revenue from Contracts with Customers*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[1]
IAS 16 and IAS 38 Amendments	Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
IAS 16 and IAS 41 Amendments	Amendments to IAS 16 and IAS 41 – *Agriculture: Bearer Plants*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued in December 2013[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued in December 2013[1]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018

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	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mainland China	**611,327**	567,148
Hong Kong	**116,690**	110,403
Others	**14,732**	—
	742,749	677,551

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

(b) Non-current assets

	30 June	31 December
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Mainland China	**694,474**	676,126
Hong Kong	**59,361**	67,877
Others	**1,613**	1,347
	755,448	745,350

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

Information about a major customer

Since 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 2014 and 2013, 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	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
Restaurant operations	**722,825**	660,362
Revenue from packaging products of restaurants	**18,529**	16,728
Other revenue	**1,395**	461
Revenue, net	**742,749**	677,551
Other income		
Government grants	**16,399**	12,985
Bank interest income	**989**	2,688
Management fee	**1,500**	1,500
Compensation income from landlords	**—**	2,800
Service income	**5,494**	1,966
Exchange gain	**—**	2,176
Others	**595**	501
	24,977	24,616

5. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories consumed	**244,417**	210,844
Depreciation	**59,163**	49,887
Amortisation of intangible assets	**632**	569
Amortisation of other long-term assets	**106**	106
Minimum lease payments under operating lease on buildings	**143,782**	119,494
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**171,305**	152,599
Equity-settled share option expense	**1,000**	800
Defined contribution pension scheme	**47,728**	40,307
	220,034	193,706
Bank interest income	**(989)**	(2,688)
Loss on disposal of items of property and equipment	**4,004**	74

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six-month period ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on bank loans wholly repayable within five years	**2,799**	4,932
Less: Interest capitalised	**(439)**	(1,170)
	2,360	3,762

7. INCOME TAX

	Six-month period ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Group:		
Current – Mainland China charged for the period	**11,839**	17,640
Current – Hong Kong and elsewhere charged for the period	—	813
Deferred tax	**(10,934)**	(8,879)
Total tax charge for the period	**905**	9,574

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

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

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

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

According to the Macau Complementary Tax ("MCT") Law, taxable profits below MOP200,000 are exempted from tax, taxable profits between MOP200,001 to MOP300,000 are subject to the rate of 9% and taxable profits over MOP300,000 are subject to the rate of 12%.

8. DIVIDENDS

	Six-month period ended 30 June	
	2014	2013
	(unaudited)	(unaudited)
Interim – Nil (2013: HK$0.008) per ordinary share	—	9,400

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the six-month period ended 30 June 2014 is based on the consolidated profit attributable to the equity holders of the Company and weighted average number of ordinary shares of 1,454,991,481 (30 June 2013: 1,451,250,000) 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 calculations of basic and diluted earnings per share are based on:

	Six-month period ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**578**	31,831

	Six-month period ended 30 June	
	2014	2013
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	**1,454,991,481**	1,451,250,000
Effect of dilution – weighted average number of ordinary shares: Share options	**605,859**	967,842
Number of ordinary shares used in the diluted earnings per share calculation	**1,455,597,340**	1,452,217,842

* 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
30 June 2014					
At 31 December 2013 and 1 January 2014 (audited):					
Cost	780,951	168,529	6,460	28,552	984,492
Accumulated depreciation and impairment	(220,249)	(74,102)	(4,635)	—	(298,986)
Net carrying amount	560,702	94,427	1,825	28,552	685,506
At 1 January 2014, net of accumulated depreciation (audited)	560,702	94,427	1,825	28,552	685,506
Additions	17,162	9,993	2	30,501	57,658
Depreciation provided during the period	(44,059)	(14,819)	(285)	—	(59,163)
Disposal	(3,436)	(568)	—	—	(4,004)
Transfers	23,476	4,755	—	(28,231)	—
Exchange realignment	435	75	—	—	510
At 30 June 2014, net of accumulated depreciation (unaudited)	554,280	93,863	1,542	30,822	680,507
At 30 June 2014 (unaudited):					
Cost	817,348	182,147	6,461	30,822	1,036,778
Accumulated depreciation and impairment	(263,068)	(88,284)	(4,919)	—	(356,271)
Net carrying amount	554,280	93,863	1,542	30,822	680,507

10. PROPERTY AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
30 June 2013					
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)	480,998	77,912	1,733	54,163	614,806
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

11. INVENTORIES

	Group	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Food and beverages, and other operating items for restaurant operations	**40,267**	49,901

12. TRADE RECEIVABLES

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

An 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 1 month	**9,871**	9,968
1 to 2 months	**3,201**	2,322
2 to 3 months	**1,313**	1,247
Over 3 months	**1,262**	2,677
	15,647	16,214

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Deposits and other receivables	**47,518**	40,722
Prepaid expense	**19,922**	24,399
Amount due from companies owned by the Controlling Shareholder	**49,732**	63,467
Amount due from a director of major subsidiaries in Hong Kong	**126**	131
Prepayments	**24,318**	22,524
	141,616	151,243

Included in the Group's prepayments balance as at 30 June 2014, are prepayments due from the associate, Yancheng Guanhua Aquatic Products Co., Ltd., with amount of RMB10,300,000 (2013: RMB3,300,000).

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

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

14. CASH AND CASH EQUIVALENTS

	Group	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Cash and bank balances, unrestricted	**301,205**	320,192
Time deposits with original maturity of less than three months	**4,334**	4,307
Cash and cash equivalents	**305,539**	324,499

The cash and bank balances and time deposits of the Group subsidiaries in mainland China denominated in RMB amounted to RMB133,047,000 and RMB189,545,000 as at 30 June 2014 and 31 December 2013, 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.

15. 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 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within 3 months	**83,267**	83,329
3 months to 1 year	**208**	276
Over 1 year	**990**	1,203
	84,465	84,808

The trade payables balance as at 30 June 2014 included nil balance due to Yancheng Guanhua Aquatic Products Co Ltd., the associate of the Group (2013: RMB1,301,000).

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

16. INTEREST-BEARING BANK LOANS

Group

	30 June 2014 (unaudited)			31 December 2013 (audited)		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	**6.00%**	**2014**	**40,000**	6.00%	2014	80,000
Bank loans – unsecured	**6.16%**	**2014**	**40,000**	—	—	—
Bank loans – unsecured	**Hibor+2.50%**	**2014**	**47,628**	Hibor+2.50%	2014	47,172
Bank loans – unsecured	**Hibor+2.75%**	**2015**	**39,690**	—	—	—
Bank loans – unsecured	**Hibor+3.00%**	**2015**	**19,845**	—	—	—
Bank loans – unsecured	**Libor+3.14%**	**2014**	**15,757**	Libor+3.14%	2014	31,229
Bank loans – unsecured	**Hibor+3.00%**	**2014**	**9,923**	—	—	—
Bank loans – unsecured	**Hibor+3.00%**	**2016**	**9,922**	—	—	—
Bank loans – unsecured	**Libor+3.14%**	**2015**	**5,253**	Libor+3.14%	2015	5,205
Bank loans – unsecured	—	—	—	Libor+3.14%	2014	39,630
			228,018			203,236
Analysed into:						
Bank loans repayable:						
Within one year or on demand			**228,018**			203,236

17. OTHER PAYABLES AND ACCRUALS

	Group	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Payroll and welfare payables	**31,701**	33,710
Taxes other than corporate income tax	**7,781**	7,388
Other payables for construction in progress	**53,996**	82,797
Accruals and other payables	**21,113**	37,256
Advances from customers	**53,226**	63,134
	167,817	224,285

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

18. SHARE-BASED PAYMENTS

(1) Pre-IPO Share Option Scheme

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 2014 and 2013:

	Six-month period ended 30 June 2014	
	Weighted average exercise price per share RMB	**Number of options '000**
At 1 January 2014		**61,755**
Forfeited during the period	**1.121**	**(12,648)**
Exercised during the period	**1.044**	**(1,946)**
At 30 June 2014		**47,161**

	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	1.108	(17,129)
At 30 June 2013		73,123

The weighted average share price at the date of exercise for share options under the Pre-IPO Schemes exercised during the period was RMB1.243 per share (six-month period ended 30 June 2013: No share options were exercised).

18. SHARE-BASED PAYMENTS *(Continued)*

(1) Pre-IPO Share Option Scheme *(Continued)*

The exercise prices and exercise periods of the share options outstanding as at 30 June 2014 are as follows:

Number of options '000	Exercise price RMB per share	Exercise period
12,189	1	1 January 2012 to 11 February 2020
330	1	1 January 2012 to 21 June 2020
2,555	1	1 January 2012 to 1 September 2020
2,056	1.1	1 January 2012 to 15 December 2020
126	1.1	1 January 2012 to 26 January 2021
4,270	1.1	1 January 2012 to 22 March 2021
8,620	1.1	1 January 2012 to 22 March 2021
2,825	1.1	1 July 2012 to 1 July 2021
1,058	1.1	1 July 2012 to 1 July 2021
3,670	1.1	1 July 2012 to 12 August 2021
1,379	1.175	1 July 2012 to 12 August 2021
2,195	1.175	1 January 2013 to 15 January 2022
538	1.175	1 July 2013 to 15 January 2022
3,994	1.175	1 January 2013 to 15 May 2022
1,356	1.175	1 July 2013 to 15 May 2022
47,161		

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

The 1,946,000 share options exercised during the period resulted in the issue of 1,946,000 ordinary shares of the Company and new share capital of HK$19,000 and share premium of HK$2,564,000.

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 wholly owned 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 by 1 July 2012, 2013, 2014 and 2015, respectively.

ii. Conditional upon the Listing and the achievement of certain performance conditions for each of the four years ending 31 December 2014, 10,000,000 shares will be transferred to the 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. During the year ended 31 December 2013, the transfer of 2,500,000 shares has been cancelled by the Company, pursuant to the resolution of the 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.

18. 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 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.

18. SHARE-BASED PAYMENTS *(Continued)*

(2) Share Option Scheme *(Continued)*

The following share option were outstanding under the Share Option Scheme during the six-month period ended 30 June 2014:

	Six-month period ended 30 June 2014	
	Weighted average exercise price per share HKD	**Number of options '000**
At 1 January 2014		**31,085**
Granted during the period	**1.40**	**25,440**
Forfeited during the period	**1.37**	**(3,689)**
At 30 June 2014		**52,836**

	Six-month period ended 30 June 2013	
	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 exercised during the six-month period ended 30 June 2014 and 30 June 2013.

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 30 June 2014 are as follows:

Number of options '000	Exercise price HKD per share	Exercise period
750	1.3	1 July 2013 to 11 April 2023
26,921	1.5	1 July 2014 to 22 August 2023
11,950	1.5	1 July 2015 to 29 June 2024
13,215	1.3	1 July 2015 to 29 June 2024
52,836		

18. SHARE-BASED PAYMENTS *(Continued)*

The Group recognised share option expenses of RMB1,000,000 under the Pre-IPO Schemes and the Share Option Scheme during the six-month period ended 30 June 2014 (six-month period ended 30 June 2013: RMB800,000).

As at 30 June 2014, the Company had 47,160,730 and 52,835,909 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 99,996,639 additional ordinary shares of the Company and additional share capital of RMB794,000 and share premium of RMB88,903,000 (before issue expense).

At the date of approval of these financial statements, the Company had 99,996,639 share options outstanding under the Pre-IPO Schemes and the Share Option Scheme, which represented approximately 6.8% of the Company's shares in issue as at that date.

19. 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 12 years.

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

	Group	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Within one year	**214,063**	244,530
In the second to fifth years, inclusive	**694,406**	814,450
After five years	**356,502**	410,458
	1,264,971	1,469,438

20. COMMITMENTS

In addition to the operating lease commitments detailed in Note 19, the Group had the following capital commitments at the end of the reporting period:

	Group	
	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Contracted, but not provided for:		
Leasehold improvements	**32,909**	51,381

21. 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 2014 RMB'000 (unaudited)	2013 RMB'000 (unaudited)
Fee income from provision of food processing service	(i)	**272**	292
Management fee income	(ii)	**4,994**	1,500
Property rental expense	(iii)	**6,315**	3,937
Integrated property management expense	(iv)	**115**	115
Purchase of goods and service	(v)	**5,874**	3,124
Sales of goods and service	(vi)	**11,658**	6,876
Actual Spending of Pre-paid Cards	(vii)	**44,546**	—
Commission paid for Pre-paid Cards	(vii)	**476**	—

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 an integrated management service agreement 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.

The Group entered into a management service agreement with Shanghai Huimei Restaurant Management Co., Ltd. ("Shanghai Huimei"), a company indirectly owned by the Controlling Shareholder, pursuant to which the Group has agreed to provide comprehensive management services to Shanghai Huimei for the period commencing from 1 January 2014 to 31 December 2016. The actual service fee charge during the period ended 30 June 2014 was RMB3,494,000 (30 June 2013: Nil).

21. RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes: *(Continued)*

(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 and extended the lease period to 31 December 2014 in 2012. During the period ended 30 June 2014, the actual fee charged by Hongqiao XNG was RMB2,000,000 (30 June 2013: Nil).

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 2014 was RMB1,488,000, with service fee included (30 June 2013: RMB1,460,000).

The Group entered into a lease agreement with Xiao Nan Guo (Group) Co., Ltd. to lease a banquet hall as a restaurant for the period commencing from 16 September 2012 to 31 December 2014, at a rental fee based on 17% of the gross revenue of the restaurant. During the period ended 30 June 2014, the actual rental charged by Xiao Nan Guo (Group) Co., Ltd. was RMB2,827,000 (30 June 2013: RMB2,477,000).

(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. During the period ended 30 June 2014, the actual fee charged was RMB115,000 (30 June 2013: RMB115,000).

(v) The Group entered into a purchase agreement with WHM Japan Co., Ltd. for a term of three years commencing form 1 January 2009 to 31 December 2011 (the "Purchase Agreement") and the Purchase Agreement was renewed for three years in 2012. Pursuant to the Purchase Agreement, the Group agreed to purchase and WHM Japan Co,. Ltd. agreed to supply Japanese food materials at cost. There was no transaction conducted during the period ended 30 June 2014 (30 June 2013: Nil).

The Group entered into a hotel coupon purchase agreement in 2012 with WH Ming Hotel, a hotel owned by the Controlling Shareholder, and should be renewed annually (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. There is no transaction incurred during the six-month period ended 30 June 2014 (30 June 2013: RMB35,000).

The Group entered in to a shrimp purchase agreement with Yancheng Guanhua Aquatic Products Co., Ltd., which became an associate of the Group in 2013. The purchase price was mutually agreed based on the market price. The transaction incurred during the period ended 30 June 2014 amounted to RMB5,874,000 (30 June 2013: RMB3,089,000).

(vi) The Group provided banquet food supply 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 RMB11,142,000 during the period ended 30 June 2014 (30 June 2013: RMB6,072,000).

The Group sold gift boxes to Xiao Nan Guo (Group) Co., Ltd. amounting to RMB516,000 based on market price (30 June 2013: RMB804,000).

(vii) The Group entered into a Pre-paid Cards Agreement in 2014 with Shanghai Xiao Nan Guo Enterprises Service Information Development Limited ("XNG Information Development"), a company indirectly owned by Wang Bai Xuan Tiffany who is the daughter of the Controlling Shareholder of the Company. Pursuant to the agreement, the Pre-paid Cards can be used at the Shanghai Min Restaurants, the WH Ming Hotel as well as other businesses operated by the Controlling Shareholder. The Actual Spending is the amount which the Pre-paid Card holders have actually spent (net of the discount assumed by the Group) at the Shanghai Min Restaurants via the Pre-paid Cards. The commission rate payable to XNG Information Development shall be 1% of the actual dining expenses of a Pre-paid Card holder for every bill (before discount (if any)) at the Shanghai Min Restaurants.

21. 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 the companies owned by the Controlling Shareholder are disclosed in Notes 13 to the financial statements. These balances are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's trade payables and prepayment to an associate as at the end of the reporting period are disclosed in note 15 and note 13 to the financial statement. These balances are unsecured, interest-free and repayable within 30 days after receiving the invoices.

(d) Compensation of key management personnel of the Group

	Six-month period ended 30 June	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	**4,233**	3,544
Equity-settled share-based payment	**232**	404
Total compensation paid to key management personnel	**4,465**	3,948

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.

22. 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 2014 (unaudited)

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	10,100	10,100
Long-term rental deposits	60,810	—	60,810
Trade receivables	15,647	—	15,647
Financial assets included in prepayments, deposits and other receivables	77,128	—	77,128
Cash and cash equivalents	305,539	—	305,539
	459,124	10,100	469,224

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term payables	54,875
Trade payables	84,465
Financial liabilities included in other payables and accruals	103,560
Interest-bearing bank loans	228,018
	470,918

22. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group – 31 December 2013 (audited)

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	10,100	10,100
Long-term rental deposits	54,975	—	54,975
Trade receivables	16,214	—	16,214
Financial assets included in prepayments, deposits and other receivables	84,085	—	84,085
Cash and cash equivalents	324,499	—	324,499
	479,773	10,100	489,873

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Long-term payables	—	51,345	51,345
Trade payables	—	84,808	84,808
Financial liabilities included in other payables and accruals	—	135,374	135,374
Derivative financial instruments	401	—	401
Interest-bearing bank loans	—	203,236	203,236
	401	474,763	475,164

23. 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.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including interest rate swaps, are measured using valuation techniques similar to swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and interest rate curves. The carrying amounts of interest rate swaps are the same as their fair values.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

Group

As at 31 December 2013 (audited)

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	—	401	—	401

The Group did not have any financial liabilities measured at fair value as at 30 June 2014.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: Nil).

INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014.

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

For the six months ended 30 June 2014, 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 2014, 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	Number of Shares[1]	Approximate percentage of shareholding
Wang Huimin[2]	Interest in controlled corporation	511,725,000(L)	34.60%
	Trustee	183,661,250(L)	12.42%
Wu Wen[3]	Interest in controlled corporation	68,313,750(L)	4.62%
	Beneficial owner	8,700,000(L)	0.59%
Kang Jie[4] [5]	Interest in controlled corporation[4]	5,000,000(L)	0.34%
	Beneficiary of a trust[5]	23,750,000(L)	1.61%
	Beneficial owner	7,642,579(L)	0.52%
Wang Huili[6]	Interest in controlled corporation[6]	55,173,750(L)	3.73%
Wang Hairong[7]	Interest in controlled corporation[7]	78,815,750(L)	5.33%
	Beneficial owner	8,198,000(L)	0.55%
Weng Xiangwei[8]	Interest in controlled corporation[8]	167,887,000(L)	11.35%

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 12.42% 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 ("Brilliant South"), which beneficially owns 100% equity interest in Well Reach Limited, which in turn owns approximately 5.21% equity interest in the Company.

(4) Kang Jie owns the entire issued share capital of Victor Merit Limited ("Victor Merit"), 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 3.73% equity interest in the Company.

(7) 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 5.33% equity interest in the Company.

(8) Mr. Weng Xiangwei owns the entire issued share capital of Shining (BVI) Limited, which beneficially owns 100% equity interest in Shining Capital Management Limited, which in turn beneficially owns 100% equity interest in Shining Capital Holdings L.P., which also in turn beneficially owns 100% equity interest in Sunshine Property I Limited, which also in turn owns approximately 11.35% 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;

(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;

(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. For details of the share options, please refer to Note 18 to the financial statements.

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 2014 to 30 June 2014, 1,946,000 share options granted under the Pre-IPO Share Option Schemes have been exercised and 12,648,540 shares options granted under the Pre-IPO Share Option Schemes have been lapsed. As of 30 June 2014, 47,160,730 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 2014 are as follow:

Name of the grantee	No. of share options outstanding as of 1 January 2014	No. of share options granted during the period ended 30 June 2014	No. of share options exercised during the period ended 30 June 2014	No. of share options lapsed during the period ended 30 June 2014	No. of share options outstanding as of 30 June 2014
Employees (in aggregate)	61,755,270	—	1,946,000	12,648,540	47,160,730

(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. For the period from 1 January 2014 to 30 June 2014, except 25,439,759 share options in total granted to eligible employees and Kang Jie (an Executive Director and CEO) on 30 June 2014 to subscribe for ordinary shares of HK$0.01 of the Company, no other share option was granted under the Share Option Scheme.

Details of the share options granted to employees on 30 June 2014 were as follows:

Date of grant:	30 June 2014
Exercise price per Share under the share option:	HK$1.3
Closing price of the Share on the date of grant:	HK$1.13
Number of share options granted:	10,677,180
Validity of the share options granted:	Ten (10) years since the date of grant (i.e. 30 June 2024)
Vesting date of the share options:	The vesting period of share options granted is four years. 25% of share options will be vested on 1 July 2015, 1 July 2016, 1 July 2017 and 1 July 2018 respectively.
Date of grant:	30 June 2014
Exercise price per Share under the share option:	HK$1.5
Closing price of the Share on the date of grant:	HK$1.13
Number of share options granted:	12,120,000
Validity of the share options granted:	Ten (10) years since the date of grant (i.e. 30 June 2024)
Vesting date of the share options:	The vesting period of share options granted is four years. 25% of share options will be vested on 1 July 2015, 1 July 2016, 1 July 2017 and 1 July 2018 respectively.

Details of the share options granted to Mr. Kang Jie on 30 June 2014 were as follows:

Date of grant:	30 June 2014
Exercise price per Share under the share option:	HK$1.3
Closing price of the Share on the date of grant:	HK$1.13
Number of share options granted:	2,642,579
Validity of the share options granted:	Ten (10) years since the date of grant (i.e. 30 June 2024)
Vesting date of the share options:	The vesting period of share options granted is four years. 25% of share options will be vested on 1 July 2015, 1 July 2016, 1 July 2017 and 1 July 2018 respectively.

The summary of the share options granted under the Share Option Schemes that were still outstanding as of 30 June 2014 are as follow:

Name of the grantee	No. of share options outstanding as of 1 January 2014	No. of share options granted during the period ended 30 June 2014	No. of share options exercised during the period ended 30 June 2014	No. of share options lapsed during the period ended 30 June 2014	No. of share options outstanding as of 30 June 2014
Employees (in aggregate)	26,084,900	22,797,180	—	3,688,750	45,193,330
Kang Jie (Executive Director and CEO)	5,000,000	2,642,579	—	—	7,642,579

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

As of 30 June 2014, 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	Number of Shares	Approximate percentage of shareholding
Extensive Power Limited[(2)]	Interest in controlled corporation[(2)]	511,725,000(L)	34.60%
Value Boost Limited[(2)]	Beneficial owner	511,725,000(L)	34.60%
Full Health Limited[(3)]	Beneficial owner	78,815,750(L)	5.33%
Shining Capital Holdings L.P.[(4)]	Interest in controlled corporation[(4)]	167,887,000(L)	11.35%
Shining Capital Management Limited[(4)]	Interest in controlled corporation[(4)]	167,887,000(L)	11.35%
Sunshine Property I Limited[(4)]	Beneficial owner	167,887,000(L)	11.35%
Moon Glory Enterprises Limited[(5)]	Beneficial owner	85,387,000(L)	5.77%
Milestone F&B I Limited	Beneficial owner	113,820,000(L)	7.70%
Milestone China Opportunities Fund III, L.P.[(6)]	Interest in controlled corporation[(6)]	113,820,000(L)	7.70%
Milestone Capital Partners III Limited[(7)]	Interest in controlled corporation[(7)]	113,820,000(L)	7.70%

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 5.33% equity interest in the Company.

(4) Shining Capital Management Limited beneficially owns 100% equity interest in Shining Capital Holdings L.P., which in turn beneficially owns 100% equity interest in Sunshine Property I Limited. According, Shining Capital Management Limited and Shining Capital Holdings L.P. are deemed to be interested in the shares held by Sunshine Property I Limited.

(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) Both James Christopher Kralik and Lou Yunli indirectly hold 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.

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.

All the Directors have confirmed that they have complied with the required standard of dealings set out in the Model Code for the six months ended 30 June 2014.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code of corporate governance. Except as disclosed below, for the six months ended 30 June 2014, the Company has complied with the applicable code provisions in the CG Code.

Under code provision A.6.7 of the CG Code, all the non-executive Directors are recommended to attend the general meeting of the Company. All the non-executive Directors of the Company (including the independent non-executive Directors) have attended the annual general meeting of the Company held on 5 June 2014 (the ''AGM'') except Ms. Wu Wen, Ms. Wang Huili, Mr. Wang Hairong, Mr. Wang Chiwei and Mr. Wang Yu who were absent from the AGM due to pre-arranged business commitments. Besides, other than Mr. Tsang Henry Yuk Wong who has attended the extraordinary general meeting of the Company held on 24 July 2014, other Directors were absent from such general meeting due to pre-arranged business commitments.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 30 August 2011 with written terms of reference formulated in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors.

The members of the Audit Committee include Mr. Tsang Henry Yuk Wong, Mr. Weng Xiangwei and Mr. Wang Yu. Mr. Tsang Henry Yuk Wong is the chairman of the Audit Committee.

The Audit Committee has discussed with the management of the Company and the external auditor about the accounting principles and practices adopted by the Company and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014.

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

Shanghai, China, 28 August 2014