上海 小南国
SHANGHAI MIN

2014 ANNUAL REPORT

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

上海 小南国 SHANGHAI MIN　南小館 the dining room　慧公馆　小小南国　POKKA CAFÉ　俺の株式会社

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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. Wang Shoudong (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
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

STOCK CODE

03666

COMPANY'S WEBSITE

www.xiaonanguo.com

INVESTOR RELATIONS

Ms. Huang Wei
Email: wei.huang@xiaonanguo.com

Financial Highlights

	For the year ended 31 December 2014	2013	% Change increase/(decrease)
Revenue (RMB '000)	**1,544,199**	1,385,911	11%
Gross profit[1] (RMB' 000)	**1,034,927**	927,155	12%
Gross margin[2]	**67.0%**	66.9%	0.1% pts
Profit for the year (RMB' 000)	**1,032**	671	54%
Net profit margin[3]	**0.07%**	0.05%	0.0% pts
Earnings Per Share - Basic (RMB cents)	**0.04**	0.07	(43%)
Paid dividend Per Share (HK$ cents)	**–**	0.80	(100%)
Total Assets (RMB' 000)	**1,357,506**	1,366,176	(1%)
Net Assets (RMB' 000)	**788,654**	783,272	1%
Cash and Cash Equivalents (RMB' 000)	**269,305**	324,499	(17%)
Net Cash[4]	**33,164**	121,263	(73%)
Account Receivables Turnover Days[5] (days)	**4.1**	5.7	(28%)
Accounts Payable Turnover Days[6] (days)	**67.1**	66.5	1%
Inventory Turnover Days[7] (days)	**34.0**	43.2	(21%)
Cash Cycle[8] (days)	**(29.0)**	(17.6)	65%
Gearing Ratio[9]	**21.94%**	19.40%	2.5% pts
Return on Equity[10]	**0.13%**	0.00%	0.1% pts
Return on Asset[11]	**0.08%**	0.05%	0.0% pts
Number of restaurants[12] (as at 31 December)	**103**	83	24%

Notes:

1 The calculation of gross profit is based on revenue less cost of sales.

2 The calculation of gross margin is based on gross profit divided by revenue.

3 Net profit margin is calculated as profit for the year divided by revenue.

4 Net cash represents cash and cash equivalents minus interest bearing bank loans.

5 Equivalent to 365/(revenue/annual average receivables).

6 Equivalent to 365/(Cost of sales/annual average payables).

7 Equivalent to 365/(Cost of sales/annual average inventories).

8 Equivalent to AR Days + Inventory Days – AP Days.

9 Equivalent to net debts over capital and net debts.

10 Equivalent to net profit over annual average equity.

11 Equivalent to net profit over annual average total assets.

12 Number of restaurants as at 31 December 2014 includes 81 Shanghai Min, 4 Maison De L'Hui, 17 the dining room restaurants and 1 Shanghai Min's Family Dining Restaurant.

The Board (the "Board") of Directors (the "Directors") of the Company is pleased to present its report and the audited financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL PLACE OF BUSINESS

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 (the "Shares") were listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2012 ("Listing Date").

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of Chinese restaurant chain stores in Mainland China and Hong Kong. There were no significant changes in the nature of the Group's principal activities during the year. Particulars of the companies now comprising the Group are set out in Note 17 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 together with the Company's and the Group's financial conditions as of that date are set out in page 46 to page 54 of the financial statements.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements of the shareholders to attend the annual general meeting to be held on 4 June 2015, the register of members of the Company will be closed between 2 June 2015 and 4 June 2015, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend the annual general meeting, all share transfers, being accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 1 June 2015.

USE OF PROCEEDS FROM LISTING OF THE COMPANY

As at the end of 2014, the proceeds from listing of the Company's issue of new shares under its listing on the Stock Exchange in July 2012 after deducting the relevant listing expenses were used and applied in accordance with the intended usages as set out in the prospectus of the Company published on 21 June 2012 (the "Prospectus"), and the balance of the proceeds will also be utilized in the manner consistent with that mentioned in the Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue. Total purchases attributed to 5 largest suppliers and the largest supplier of the Group were approximately 29.8% and 8.1% of the total Purchases respectively.

During the year, none of the Directors, their associates or shareholders who to the best knowledge of the directors own 5% interest above of the issued shares of the Company has any beneficial interest in any of our Group's 5 largest suppliers.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements of the Company's share capital and share options are set out in Notes 29 and 30 to the financial statements respectively.

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 ended 31 December 2011 reaches a specified target;

(2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2011 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;

(3) if the Company's net profit for the year ended 31 December 2011 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;

(b) from 1 July 2013 to 10 years from the date of grant:

(1) 25% shall vest if the Company's net profit for the year ended 31 December 2012 reaches a specified target;

(2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2012 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;

(3) if the Company's net profit for the year ended 31 December 2012 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;

(c) from 1 July 2014 to 10 years from the date of grant:

(1) 25% shall vest if the Company's net profit for the year ended 31 December 2013 reaches a specified target;

(2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2013 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;

(3) if the Company's net profit for the year ended 31 December 2013 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options;

(d) from 1 July 2015 to 10 years from the date of grant:

(1) 25% shall vest if the Company's net profit for the year ended 31 December 2014 reaches a specified target;

(2) 12.5% shall vest if the Company's net profit for the year ended 31 December 2014 reaches 90% of the specified target and the Company has the right to cancel the other 12.5%;

(3) if the Company's net profit for the year ended 31 December 2014 is lower than 90% of the specified target, the Company has the right to cancel 25% of such options.

Each option granted under the Pre-IPO Share Option 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 30 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. From 1 January 2014 to the year ended 31 December 2014, 1,946,000 share options granted under the Pre-IPO Share Option Schemes have been exercised and 14,760,760 shares options granted under the Pre-IPO Share Option Schemes have been lapsed. As of 31 December 2014, 45,048,510 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 31 December 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 year ended 31 December 2014	No. of share options exercised during the year ended 31 December 2014	No. of share options lapsed during the year ended 31 December 2014	No. of share options outstanding as of 31 December 2014
Employees (in aggregate)	61,755,270	–	1,946,000	14,760,760	45,048,510

(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 31 December 2014, except 25,439,759 share options in total granted to eligible employees and Kang Jie (an executive Director and Chief Executive Officer) on 30 June 2014 to subscribe for ordinary shares of HK$0.01 each 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 31 December 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 31 December 2014	No. of share options exercised during the period ended 31 December 2014	No. of share options lapsed during the period ended 31 December 2014	No. of share options outstanding as of 31 December 2014
Employees (in aggregate)	26,084,900	22,797,180	—	9,000,937	39,881,143
Kang Jie (Executive Director and Chief Executive Officer)	5,000,000	2,642,579	—	—	7,642,579

FIVE YEARS FINANCIAL SUMMARY

The summary of the Group's results, assets and liabilities for the last five financial years is set out on page 124 of this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or relevant laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Movements in the reserves of the Company are set out in Note 31 to the financial statements.

As of 31 December 2014, the distributable reserves of the Company amounted to RMB476,190,000, while no amount was proposed as a final dividend for the year.

PROPERTY AND EQUIPMENT

Movements in the Group's properties and equipment during the year are set out in Note 14 to the financial statements.

DIRECTORS

As at the date of this report, the Board was constituted by the following 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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors of the Company and senior management of the Group are set out on pages 40 to 43.

DIRECTORS' SERVICE CONTRACTS

Each of our Directors has entered into a service contract with the Company. The appointment of non-executive Director Mr. Wang Hairong is for a term of 3 years from 29 August 2012. Except for the Director abovementioned, the appointment of all other non-executive Directors and independent non-executive Directors are for a term of 3 years from 4 July 2012, and the appointment of executive Directors are for a term of 3 years from 8 June 2012. The appointment of all Directors will continue in effect until any party giving at least three months prior written notice to the another party.

No Director offering for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not terminable within one year without payment of compensation (other than the normal statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in Note 35 to the financial statements, for the year ended 31 December 2014, none of the Directors had any direct or indirect material interest in any contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party.

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

As of 31 December 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	162,031,250(L)	10.96%
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]	33,543,750(L)	2.27%
	Beneficial owner	9,100,000(L)	0.62%
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 10.96% 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 4.62% 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 2.27% 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) 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.

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

As of 31 December 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%
Sunshine Property I Limited	Beneficial owner	167,887,000(L)	11.35%
Moon Glory Enterprises Limited(4)	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.(5)	Interest in controlled corporation(5)	113,820,000(L)	7.70%
Milestone Capital Partners III Limited(6)	Interest in controlled corporation(6)	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) 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.

(5) 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.

(6) James Christopher Kralik indirectly holds 50% interests in Linden Street Capital Limited, which in turn indirectly holds 100% in MCP China Investment Holdings Limited. MCP China Investment Holdings Limited indirectly holds 85% interests in Milestone Capital Investment Holdings Limited, which in turn indirectly holds 100% interests in Milestone Capital Partners III Limited. Milestone Capital Partners III Limited is the general partner of Milestone ChinaOpportunities Fund III, L.P. and is therefore deemed to be interested in the Shares held by Milestone F&B I Limited.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and the interest of Ms. Wang Huimin in the below mentioned business, none of the Directors and their respective associates (as defined in the Listing Rules) has interest in any business which competes or may compete with the business in which the Group is engaged.

The Company's Director Ms. Wang Huimin has provided an annual confirmation regarding her compliance with the deed of non-competition (as defined in the Prospectus) entered into with the Group (the "Deed of Non-competition"), and the information and the nature of involvement of her investment and participation in any food and beverage business (other than business of the Company or those that have been disclosed in the Prospectus). In 2012, a company in which Ms. Wang Huimin has a minority interest decided to engage in a new food-related business (the "New Business"). The Directors, including the independent non-executive Directors, had agreed in accordance with the terms of the Deed of Non-competition dated 5 September 2011 for Ms. Wang's minority-owned company to pursue the New Business. In addition, Ms. Wang Huimin had sent the Company a comfort letter on 20 January 2013 which indicated that in the event that the Company decides to acquire the New Business within 3 years from the date of the comfort letter, she will try her best to sell her interests in the New Business to the Company at a fair market value subject to the terms of the comfort letter.

DONATIONS

The Company did not contribute any charitable and other donations during this financial year.

PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES

During the year ended 31 December 2014, the Company repurchased a total of 3,472,000 shares on the Stock Exchange. The details of the repurchases were disclosed as follows:

Date of Purchase	Number of shares repurchased	Price per share (HK$)	Total consideration paid (HK$)
16 December 2014	858,000	0.962727	826,020
18 December 2014	254,000	0.987874	250,920
23 December 2014	370,000	0.998973	369,620
24 December 2014	1,000,000	1.0002	1,000,200
31 December 2014	990,000	0.9995	989,505

The shares repurchased above were cancelled on 7 January 2015.

Other than those disclosed above, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2014.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2014, the Company and its subsidiaries entered into the following continuing connected transactions with the connected parties, which are set out as follows:

Continuing Connected Transactions	2014 Annual Cap of the Transaction	2014 Actual Annual Transaction Amount
1. Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. ("Shanghai Hongmei") leased from Shanghai Hongqiao Xiao Nan Guo Restaurant Management Co., Ltd. ("Shanghai Hongqiao") the premises with a total gross floor area of approximately 8,800 sq.m. located at Block 4, No. 3337 Hongmei Road, Shanghai (the "Hongmei Premises") for use as restaurant at fixed annual rent of RMB4 million.	RMB4,000,000	Full year rent for 2014 waived (Shanghai Hongmei and Shanghai Hongqqiao entered into a supplementary agreement in December 2014. In view of the obsolete facilities of Shanghai Hongmei premises with not adequate leakage and draining and affecting the operating environment of Shanghai Hongmei to a considerable extent, Shanghai Hongqiao waived the full year rent for 2014 of RMB4,000,000)
2. Shanghai Hongqiao has provided property management and security services to Shanghai Hongmei at the Hongmei Premises.The relevant services fee represented the actual costs incurred for the services.	RMB600,000	Full year management fee and security services fee for 2014 wavied (Shanghai Hongmei and Shanghai Hongqiao entered into a supplementary agreement in December 2014. The Banquet Room at the first floor had not been able to operate on normal basis, Shanghai Hongqiao waived the full year management fee and security services fee of RMB229,000)

Continuing Connected Transactions	2014 Annual Cap of the Transaction	2014 Actual Annual Transaction Amount
3. Shanghai Min Hai Zhi Yuan Restaurant Management Co., Ltd. ("Shanghai Min") leased from Xiao Nan Guo (Group) Co., Ltd. the premises of a gross floor area of approximately 2,376 sq.m. located at 601 Yingkou Road, Shanghai (the "Yingkou Premises") as office. A fixed rent would be paid for leasing the office premises. Shanghai Zhonghuan Huimin Restaurant Management Co., Ltd. (the lessor changed to Shanghai Min Hai Zhi Yuan Restaurant Man-agement Co., Ltd. in 2014) leased from Xiao Nan Guo (Group) Co., Ltd. the Yingkou Premises with a gross floor area of 3,047 sq.m. as restaurant. Rent of the restaurant premises is in the form of commission, and is charged based on 17% of the annual turnover of the restaurant, excluding the income generated from provision of restaurant premises to Xiao Nan Guo (Group) Co., Ltd. The property management fee of the office premises and the restaurant premises has been included in the rent.	RMB13,500,000	Office premises, RMB 3,027,211 (Shanghai Min Hai Zhi Yuan Restaurant Management Co., Ltd. and Xiao Nan Guo (Group) Co., Ltd. entered into a supplementary agreement in December 2014, which waived the full year rent for 2014 of RMB1,827,211), as the office property was renovated and relocated. Xiao Nan Guo (Group) Co., Ltd. waived Shanghai Min Hai Zhi Yuan Restaurant Management Co., Ltd. Restaurant premises: Full year rent for 2014 waived (Shanghai Min Hai Zhi Yuan Restaurant Management Co., Ltd. and Xiao Nan Guo (Group) Co., Ltd. entered into a supplementary agreement in December 2014. In view of that fact that since the hotel commenced operation in 2012, the breakeven period was longer than expected originally and various performance indicators had not reached the targets set by both parties, such the hotel occupancy rate did not reach 75% (actual was 61%), the utilization rate of banquet room did not reach 50% (actual was 33%). Hence Xiao Nan Guo (Group) Co., Ltd. waived the full year rent for 2014 of approximately RMB 5,893,907)

Continuing Connected Transactions	2014 Annual Cap of the Transaction	2014 Actual Annual Transaction Amount
4. Shanghai Min Restaurant Co., Ltd. provided Shanghai Min Tang He Yuan SPAs Management Co., Ltd., Shanghai Pudong Xiao Nan Guo Casual Dining Management Co., Ltd., Shanghai Xin Di Co., Ltd., Shanghai Jing'an Hai Zhi Yuan Casual Dining Management Co., Ltd. and Shanghai Wanli Hai Zhi Yuan Casual Dining Management Co., Ltd. with raw food materials procurement and processing service according to a framework raw food materials procurement and processing service agreement entered into between the Company and Ms. Wang Huimin (for herself and on behalf of companies controlled by her) on 12 August 2011 which was superseded by an agreement with the same terms on 25 May 2012. The consideration represented 3.0% and 15.0% of the cost of raw food materials of raw food procurement and processing services respectively.	RMB8,430,000	RMB479,207
5. Shanghai Min Nutritional Food Co., Ltd. appointed independent sub-contractor to procure Japanese food from WHM Japan Co., Ltd. according to a framework food material purchase agreement entered into between the Company and Ms. Wang Huimin (for herself and on behalf of companies controlled by her) on 12 August 2011 which was superseded by an agreement with the same terms on 25 May 2012.	RMB17,100,000	Nil
6. Shanghai Min Restaurant Co., Ltd. has provided management services to Xiao Nan Guo (Group) Co., Ltd. and its subsidiaries, including services in respect of administration, legal, human resources, financial management and accounting according to a framework integrated service agreement entered into between the Company and Ms. Wang Huimin (for herself and on behalf of companies controlled by her) on 12 August 2011 which was superseded by an agreement with the same terms on 25 May 2012. The fee of information technology service for the enterprise resource planning system jointly used by Xiao Nan Guo Restaurants Holdings Limited and its subsidiaries and Xiao Nan Guo (Group) Co., Ltd. and its subsidiaries, and any other services in relation to the management of Xiao Nan Guo (Group) Co., Ltd. as agreed by the parties from time to time is RMB250,000 per month.	RMB3,000,000	RMB3,000,000

Continuing Connected Transactions	2014 Annual Cap of the Transaction	2014 Actual Annual Transaction Amount
Shanghai Min Hai Zhi Yuan Restaurant Management Co., Ltd. ("Shanghai Min") has provided to Shanghai Huimei Restaurant Management Co., Ltd. ("Shanghai Huimei") and its subsidiaries consolidated management services, including administration, legal, human resources, financial management, information technology management. The management fee is charged by Shanghai Min based on 10% of the turnover of Shanghai Huimei.	RMB10,000,000	RMB5,036,289
7. Shanghai Min Hai Zhi Yuan Restaurant Management Co., Ltd. ("Shanghai Min") sold Xiao Nan Guo (Group) Co., Ltd. branded goods (or coupon). Price of the branded goods (or coupon) shall be determined by Shanghai Min. Xiao Nan Guo (Group) Co., Ltd. shall purchase branded goods (or coupon) in accordance with the market price to be determined by Shanghai Min.	RMB3,000,000	RMB1,000,564
8. Shanghai Min will give away the coupons of Shanghai WH Ming Hotel Co., Ltd. ("WH Ming Hotel") as gifts to customers consuming above certain specific amount at the Shanghai Min restaurants in Shanghai. Shanghai Min purchased the coupons from WH Ming Hotel at discount price according to coupon purchase agreement. The coupons were sold by WH Ming Hotel to Shanghai Min at an agreed price lowever than the actual nominal value of the coupons.	RMB1,000,000	Nil
9. Shanghai Min will provide banquet foods to banquets held in WH Ming Hotel according to the requirements of its hotel customers. Price of the banquet foods shall be determined by Shanghai Min, and shall be no less that 75% of the menu price of Shanghai Min.	RMB 30,000,000	RMB23,871,827
10. Shanghai Min Hai Zhi Yuan Restaurant Management Co., Ltd. ("Shanghai Min") entrusted Shanghai Xiao Nan Guo Enterprise Service Information Development Limited ("Shanghai Min Information Development") to issue, maintain and manage prepaid card that can be used at the Shanghai Min restaurants in Shanghai. The proportion of sharing the actual discount of selling the prepaid card between Shanghai Min and Shanghai Min Information Development is 70:30. Shanghai Min shall paid commission of 1% of the actual dining expense of a Pre-paid card holder for every bill (before discount, if any) at the Shanghai Min restaurants for the issuance, maintainence and management of the prepaid card to Shanghai Min Information Development.	RMB200,000,000 (the formula for calculation of the annual cap is: Actual amount spent by pre-paid card holders at the Shanghai Min Restaurant via Pre-paid Cards, minus the discount borne by Shanghai Min, and add the commission to Shanghai Min Information Develoment)	Prepaid card consumption amount (after discount of the pre-paid card) RMB132,778,927 Commission RMB1,418,027

The abovementioned Shanghai Hongqiao, Xiao Nan Guo (Group) Co., Ltd., Shanghai Xiao Nan Guo Tang He Yuan SPAs Management Co., Ltd., Shanghai Pudong Xiao Nan Guo Casual Dining Management Co., Ltd., Shanghai Xin Di Restaurant Co., Ltd., Shanghai Jing'an Hai Zhi Yuan Casual Dining Management Co., Ltd., Shanghai Wanli Hai Zhi Yuan Casual Dining Management Co., Ltd., WHM Japan Co.,Ltd., WH Ming Hotel and Shanghai Huimei Restaurant Management Co., Ltd. are all owned by Ms. Wang Huimin, the Chairlady, controlling shareholder and executive director of the Company, in whole or in part. Shanghai Min Corporate Servinces Information Development Co., Ltd. is owned by Ms. Wang Baixuan Tiffany, the daughter of Ms. Wang Huimin.

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions during the year and confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have performed certain pre-determined procedures and reported their findings regarding the continuing connected transactions entered into by the Group set out above for the year ended 31 December 2014 and state that:

(1) the transactions have received the approval of the Company's Board of Directors;

(2) the transactions, in all material respects, have been entered into in accordance with the pricing policies of the Group;

(3) the transactions have been entered into, in all material respects, in accordance with the relevant agreement governing the transactions;

(4) the aggregate amounts of the transactions have not exceeded the relevant annual cap amounts as disclosed in the Company's prospectus issued on 21 June 2012, announcements of the Company published on 19 December 2012, 10 January 2014, 22 April 2014 and 29 May 2014, and the Company's circular issued on 4 July 2014 respectively.

The related party transactions with companies owned by the Controlling Shareholder except the transaction disclosed in note 35(a)(vii) to the financial statements also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the directors at the date of this annual report, there was a sufficient prescribed public float of the issued share of the Company under the Listing Rules.

AUDITORS

The financial statements were audited by Ernst & Young who will retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Ernst & Young as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wang Huimin
Chairlady

Shanghai, 26 March 2015

INDUSTRY OVERVIEW

In the year of 2013, as a combined effect of the Central Government's vigorous anti-corruption measures and the slowdown in overall economic growth, China's catering industry growth rate hit the historic low in 22 years. In particular, mid to high end restaurants faced an acute downturn in many cities. As a whole, the industry had the most difficult period since the new millennium, with the only exception of the tragic period of SARS. Having reached the bottom, China's catering industry reported a revenue of RMB2,786 billion in 2014, representing a year-on-year increase of 9.7%, to end the sluggish period of declining growth over the past three years. (Source: National Bureau of Statistics)

"*Stabilization and recovery*" would best describe China's catering industry in 2014. The demand of casual dining remained firm and casual dining had become the mainstay of the industry for its stable growth. Meanwhile, ongoing rapid urbanization process and high growth in commercial property development lead to many new players entering the casual dining segment, which in turn lead to an ever-fierce competition as in a red ocean market. In contrast, the mid to high end market segment, who suffered the most in 2013, had completed a cycle of the market elimination, restructuring and upgrade. Those enterprises who had withstood the test are the first to greet the dawn of the industry. For one reason, the partially recovered market condition with its high barriers to entry prevented most new players from entering; meanwhile, the continued personal consumption upgrade also acted as a driving force to growth in this segment.

Reformation, diversification and innovation had become the theme of the industry since the major impact took place in 2013 and 2014. Catering business, as a consumer industry that will always be in need, has entered into a new phase to "re-startup" the business.

FINANCIAL PERFORMANCE FOR 2014

Xiao Nan Guo reported a revenue increase of 11.4% to RMB1,544.2 million in 2014, which was primarily attributable to the increase in revenue of the new restaurants opened in 2013 and 2014 and new Mai Chi Ling licensing business income. Gross profit for the year increased by 11.6% to RMB1,034.9 million, with net profit increasing by 53.8% to RMB1.0 million.

OPERATIONS REVIEW FOR 2014

- **Dual Emphasis on Multi-brand Development and Standardized Operation**

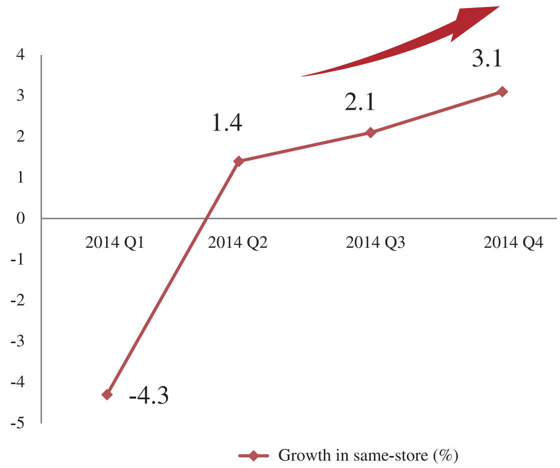
  What came along with the changes in catering industry are challenges as well as opportunities. In 2014, in response to the shift in market demand, we not only leveraged our advantage in standardized operation in full extent, but also further upgraded the standardization process and refined the management capabilities. As such, we were able to strengthen the brand influence and market competitiveness of in various regions for the Company's core brand, Shanghai Min, to enhance store level operating efficiency and profitability.

  In 2014, the multi-brand strategy was implemented in full force. "the dining room", a stylish casual dining brand first introduced in 2012, successfully took off after one year's model adjustment and market development. Shanghai Min's nationwide expansion provided a solid foundation of the multi-regional development and standardized operation for "the dining room", thanks to the invaluable experiences gained through its numerous market explorations.

  The Company also successfully expanded the licensing business by co-founding a milk tea brand called "Mai Chi Ling" with a third party startup entrepreneur. It has achieved a rapid development on a national scale via the licensing model.

Meanwhile, the Company also focused on mid-end consumer market, actively tapped on new fields, introduced premium overseas catering brands and sought acquisition opportunities to develop brand diversification. These brands are fresh and stylish, representing the state-of-the-art business models and dining culture, which are also standardization-oriented and scalable. We believe that the synergies and economies of scale among these brands will come into full play in the near future. It's made possible by the Company's strong brand influence, consummate headquarters mechanism, leading expertise in standardized operation and the comprehensive management body across 21 cities.

Continous growth in revenue of same-store form Shanghai Min



- **Performance by brands**
  - **Shanghai Min: Refined Positioning and Steady Growth**

    In 2014, we opened 11 new "Shanghai Min" restaurants. As of 31 December 2014, Shanghai Min has 81 restaurants in total.

    Shanghai Min is the core brand of the Company, contributing the largest share of revenue. It is significantly affected by aforementioned changes of market demand, and recorded a 10.2% decline in annual same-store sales in 2013. In the first quarter of 2014, the decline started to narrow down and the same-store sales decreased by 4.3%. From the second quarter to the year end the same-store sales reported continuous rise which are 1.4%, 2.1% and 3.1% in the second, third and fourth quarters respectively. The annual same-store sales growth reached 0.4%, which was mainly driven by the same-store traffic growth, amounting to a 6.3% full year increase comparing to last year.

    The recovery of Shanghai Min's business was mainly attributable to the following factors:

    1) Benefiting from the softening of competition and the strong competitive edge of the Shanghai Min brand. From a market perspective, Shanghai Min experienced both recovery of demand for mid to high end personal consumption and business consumption and the weakened competitive environment because of the market consolidation. While Shanghai Min adjusted its operating model and enhanced its marketing strategy, it continued to position well in the mid to high end segment. Also what remained unchanged were our efforts to provide quality dishes and premium dining experience to our customers. Given the brand influence, this dedication had won the trust of more customers.

2) Refined positioning by separating two different restaurant categories. Based on distinct geographic locations, shopping districts and customer types, the Company had divided the existing Shanghai Min restaurants into two categories, business banquet stores and personal consumption stores. We have differentiated the dining environment and service standard accordingly. Gradually, the Company would implement personalized products mix in order to meet the specific demand for each category. As for the second tier cities where personal consumption capacity is lower, we have adjusted the menu, carried out various marketing campaigns, and sought third party promotion channels to increase consumer attractiveness. After a year of targeted operations, the different trends between business banquet stores and personal consumption stores are becoming more distinguishable. The same-store average spend of the former stood at RMB285, which was on par with last year. The same-store average spend of the latter decreased by 7.0% to RMB184. The same-store customer traffic increased for both categories.

3) Increased breadth of the operation. We strived to expand the operation of existing stores, and actively explored business opportunities such as banquets, branded merchandises and catering services, in order to increase income for the limited store space.

4) Adjustments to existing stores. In 2014, 2 Shanghai Min restaurants were closed and 4 loss-making restaurants were suspended to prevent further loss. With respect to the suspended stores, we would implement different adjustment measures according to different situations, which would include negotiation with landlords for rent deduction; subcontracting or further suspension until the business environment recovers. To this point, the Company had substantially concluded its adjustment efforts to close or suspend loss-making restaurants during 2 years' time from 2013 to 2014.

We hold the belief that, with the continuous economic growth and the upgrade of personal consumption demand, the potential of mid to high end consumer market will be further explored. Shanghai Min will leverage its 28 years of market-proven experiences of its brand, product mix and operation advantages, to strengthen its market position and enhance its profitability.

- **"the dining room": Standardized Replication in a Rapid Developing Phase**

In 2014, "the dining room" had a net increase of 11 stores. As of 31 December 2014, there were 17 restaurants in total. In addition to the continuous expansion in existing cities of Shanghai and Shenzhen, we also entered into new cities such as Beijing, Tianjin, Shenyang and Macau.

The rapid growth of the dining room was attributable to its efficient and simple business model, well-established headquarter functions, sophisticated standardized operation, and centralized kitchen, warehouse and logistics system support powered by Shanghai Min. These advantages together made it possible for the dining room to expand into different regions in a cost-effective manner. The revenue of the dining room restaurants was taking shape and the revenue share increased from 4.2% in 2013 to 8.3% in 2014. The same-store sales growth increased by 1.4% contributed by the steady development in Hong Kong, while stores in the PRC doesn't have comparable stores in 2014 yet. For the matured restaurants with a full year's operation at the end of 2014, the average table-turn rate was 4.3 times and the operating profit margin of the stores reached 13.1%.

While we emphasized standard operation, we fine-tuned the product mix and pricing strategy to adapt to local consumption patterns. For instance, in Northern China we had added selected dishes and increased the volume of certain dishes; in second tier cities, we lowered the price of certain dishes to align with local spending power. In the next stage, the Company would continue to optimize the cost structure of the dining room in order to adapt to further rapid expansion.

- **Maison De L' Hui: Continued Growth Despite Declining Market, Establishing Industry Benchmark**

  Maison De L' Hui, our high-end brand, was the brand that recorded the fastest recovery among all our brands in 2014. Despite the fact that the average spend reduced by 21.9%, it achieved an outstanding annual same-store sales growth of 12.7% and same-store customer traffic increase of 44.3%. The Maison De L' Hui recorded positive same-store sales growth for all four quarters, among which, a record of 26.6% was achieved in the fourth quarter of 2014.

  Although the adverse market environment of high-end restaurants remained challenging, Maison De L' Hui achieved rapid growth in the market by meticulously refining the brand's operation. Facing the sudden changes in the industry, we adjusted its operating strategies and consistently improved its products mix and services, so as to cater for the demand of high-end business banquet and high-end household consumption in the new market environment. We also expanded its income channels by adding afternoon tea, elevating marketing efforts, cooperating with third parties and developing catering services, which helped not only to realize growth in the time of adversity but also to establish an industry benchmark.

- **Licensing Business: Rapid Growth with Low Risk**

  In order to make full use of the existing headquarter functions (such as development, operation and logistics) of the Company, leverage our advantages in inter-regional operation and management and realize economies of scale, the Company successfully conducted trial runs in licensing business model. As the products in this segment are trendy, stylish and affordable, while being simple and easy to replicate, the licensing business is full of potential. However, this business was challenged by the pressure of short product life cycle and intense counterfeit competitors. To mitigate such risks, the Company would only focus on providing management services to third parties.

  We started to provide management service to the "Uncle Tetsu" cheese cake brand by the end of 2013 in seven cities in China. The management fee had contributed RMB5.0 million to the net profit of the Company for the year of 2014. In the second half of 2014, we co-founded the "Mai Chi Ling" milk tea brand with a third party startup entrepreneur based on the experience of operating "Uncle Tetsu". Each party holds 50% share of the joint venture. It operates in a nationwide licensing model. The joint venture will receive an one-off operating license fee and a recurring management fee no lower than 4% of the total sales revenue of the store. As of the end of 2014, Mai Chi Ling had granted 106 licenses and generated licensing fee of RMB6.5 million, which had been reported as other revenue of the Company.

- **Acquisition: Developing Non-Chinese Cuisine and Cafe Business, Elevating Development Platform**

The Company completed the acquisition of 65% equity interest of Pokka HK at a consideration of HK$195 million at the end of 2014. In the future, the Company will jointly develop Japanese and western restaurants as well as cafe business in Mainland China, Hong Kong and Macau with the existing management team of Pokka HK. The Company had closed the acquisition and all transactions in early 2015. Pokka HK has over 20 years of history with 32 restaurants and 10 brands. It mainly offers popular western and Japanese casual cuisines.

The acquisition of Pokka HK is performed based on the following five reasons:

1) A very reasonable EV/EBITDA[1] ratio: EV/EBITDA for the previous three fiscal years ranged from 4.6 times to 5.4 times; EV/EBITDA ratio would decrease substantially if deducting the realizable value of the property owned by Pokka HK.

2) A good strategic fit: the multi-brand strategy of Pokka HK coincided with that of Xiao Nan Guo. Pokka HK has demonstrated its outstanding competence in multi-brand operations. It will serve as a supplement to the Company's western cuisine segment.

3) Enhancing the Group's development platform in Hong Kong: Pokka HK has established its restaurant business in Hong Kong for over 20 years. It has strong local resources and will bring synergies to the Company's Hong Kong business.

4) Great potential of casual western cuisine in China: Cafe business and casual dining business demonstrated a great potential in China, where Pokka HK had already established mature operations.

5) The Company realized substantial growth via the acquisition.

Note:

1 EV/EBITDA: Enterprise Value/Earnings before Interest, Taxes, Depreciation and Amortization. This ratio is generally accepted as acquisition valuation model.

Multi-brand Development: Essential Brands acquired via Partnership and Acquisition

In light of our multi-brand strategy and the positive prospect of western casual cuisine's development in China, the Company actively introduced premium overseas brands during 2014, and made further efforts to integrate their advanced business models with the industry environment in China, so as to bring about the next wave of the restaurant industry advancement and exploit new growth possibilities.

During the first half of 2014, the Company entered into a joint venture agreement with Oreno Corporation (俺の株式會社), a renowned restaurant group from Japan, with a shareholding of 68% by the Company and 32% by the Oreno Corporation. The joint venture will promote the Oreno (俺の) series of Japanese-styled western cuisines in the Greater China Region. The competitive edge of the Oreno series brands is its high-end Michelin celebrity chefs and a revolutionary cost structure never seen by the industry. Combined together Oreno could deliver premium cuisines at a much more affordable price range, yet retaining profitability via high table turnover rate and a wide range of highly competitive wine and beverages. The first restaurant under the joint venture commenced operation in Lan Kwai Fong, Hong Kong in February 2015. The second restaurant is located in Xintiandi, Shanghai. Currently it is under renovation and is expected to open in the second quarter of 2015.

In the meantime, the Company already signed letters of intent with Boat House and Wolfgang Puck, two renowned restaurant companies from the US.

Premium overseas brands not only provide the Company with market-proven products, but would also bring in mature experiences of western cuisine management, which together would lay down a solid foundation for the Company's further development in this new segment.

- **Enhancing CRM System and Stored Value Membership Cards Business, Increasing Consumer Loyalty**

  According to the CRM data analysis of the Company, the average spend and consumption frequency of members were higher than those of non-members. In 2014, the Company continued to put more efforts in attracting new members and retaining existing members. In the second half of 2014, the Company upgraded its CRM membership system to provide a card-free membership service, which improved customer satisfaction. As of 31 December 2014, the Company had a total of over 600,000 members across all of its brands.

  In addition, the Company launched it multi-brand stored value membership card program on 1 April 2014. This card was sold in selected cities and can be used across all stores in Mainland China, which helped to promote consumer loyalty and achieve synergy among various brands. In 2014, the spending via stored value membership cards accounted for 8.6% of total revenue.

- **Improving Headquarter Functions to Reach Economies of Scale; Advancement of Eight Business Units**

  Under the dual advancement of multi-brand development and the cross-regional expansion, the Company continued to refine the headquarter functions to improve the process efficiency and business support system, so as to adapt to the new stage of development and maximize the economies of scale. In this regard, the Company commenced major projects to upgrade the overall IT system, fixing the problems of having many legacy systems to achieve higher efficiency.

  In order to ensure effective implementation of the Company's strategies, enhance the delegation of authority and improve the management efficiency, the Company performed a major restructuring to the existing organization structure. In accordance to the needs of different brands and market segments, eight business units were established in mid-2014. With our efforts in the second half of 2014, the restructuring has demonstrated preliminary improvement. All business units were able to react more swiftly and accurately to their respective market segment.

STRATEGIC OUTLOOK FOR 2015:

The multi-brand development in 2014 will continue to demonstrate itself as a major drive for the Company's growth in 2015. The Company will continue to leverage its expertise in standardized operation and utilize the strong headquarter management capability to facilitate the rapid development of all brands.

- For the core brand "Shanghai Min", we will use our best endeavors to increase its profitability. We will start to restructure the store-level organization to reduce the proportion of labour cost to revenue. In addition to standardization, we will implement proper incentive plans to improve the skills and expertise of store-level staff, so as to increase customer satisfaction.

- For "the dining room", we will continue to optimize its model and accelerate development. Efficiency will be improved through detailed shifts arrangement and refined human resources allocation. In 2015, apart from optimizing the structure, we will continue to maintain its rapid development. It is expected that 15 new stores will be opened (11 new stores were opened in 2014). In regards to the consumption pattern differences between Northern and Southern China, the dining room will continue the menu adjustment to increase customer attractiveness.

- To further promote the multi-brand strategy and achieve diversified development model, different business units and project teams will be responsible for the preparation and development of each new brand to ensure its success. According to the diversified features of each brand, we will explore various business models such as direct investing, licensing with management services and so on to achieve diversified growth. We will continue to promote the licensing business of Mai Chi Ling. Furthermore, post-acquisition integration and investment management of Pokka HK will be initiated to explore the synergy.

- For the headquarter management, we will devote great efforts to keep down the headquarter expenses and promote a cost-saving culture. The management will lead as a role model in this regard. We will also proactively create a positive and optimistic corporate culture, enhance our incentive plans, and attract talents of all sorts. Through acquiring a pool of talents, we shall preserve our leading position in the industry.

- For brand building, we will focus on an integrated promotion of our multiple brands so as to establish our leading position in their respective market segments. All the brands powered by the Company will develop an increased attractiveness to our customers.

- Better utilization of new channels such as the Internet. Through exploring new channels, our operation could be more diversified, promotion companies of all our brands could be more cost-effective, and the communication with our customers could be more intimate and responsive, which would lead to higher customer satisfaction. As of now, the Company had already opened its official account in WeChat. The consumers are offered with more conveniences to increase their consumption frequency. The Company will also be able to directly receive consumers feedbacks, serving as a better guidance for the decision making process.

List of Multi-brand Developments:

Type of brand	Name of brand	No. of stores as at 31 December 2013	No. of stores as at 31 December 2014	No. of stores expected to open in 2015
	Shanghai Min[1]	72	81	Not more than 5
mid to high end Chinese food	Maison De L' Hui	4	4	0
	Oreno	/	/	4
	Pokka HK[2]	/	32	3
Western food	Boat House	/	/	1
	Wolfgang Puck	/	/	1
	the dining room	7	17	About 15
Catering for mass public	Shanghai Min's Family Restaurant	/	1	0
	Huang Cheng Gen Hotpot	/	/	3
	Mai Chi Ling[3]	/	32	58
Take-away food	Uncle Tetsu[4]	/	16	/
	Total	83	183	90

Notes:

1 The brand of Shanghai Min includes 3 stores that the Company provides management services.

2 The contract for the acquisition of Pokka HK was entered into in 2014, and the acquisition was completed on 7 January 2015. There are 32 stores under 10 brands in Pokka Café series such as Pokka Café and Tonkichi.

3 There are 32 "Mai Chi Ling" stores operating through licensing operations.

4 The Company provides management services to 16 stores of "Uncle Tetsu".

FINANCIAL REVIEW

For the year of 2014, the Group's revenue reached approximately RMB1,544.2 million, representing an increase of approximately RMB158.3 million or 11.4% compared to approximately RMB1,385.9 million for 2013. Gross profit of the Group was approximately RMB1,034.9 million, an increase of approximately RMB107.7 million or 11.6% compared to approximately RMB927.2 million for 2013. For the year of 2014, profit of the Group reached approximately RMB1.03 million, representing an increase of approximately RMB0.36 million or 53.8% compared to approximately RMB0.67 million for 2013.

At 31 December 2014, the Group operated the restaurant network of 81 Shanghai Min restaurants, 4 Maison De L'Hui restaurants, 17 "the dining room" restaurants, and 1 Shanghai Min's Family Restaurants which cover some of the most affluent and fastest-growing cities in China[1], Hong Kong and Macau. The following table sets forth revenue and the number of restaurants in operation, by geographical region and brand as at 31 December 2014 and 2013.

	For the year ended 31 December			
	2014		2013	
	Number of Restaurants[3]	Revenue RMB'000 (audited)	Number of Restaurants	Revenue RMB'000 (audited)
China[1]				
– Shanghai Min	**71**	**1,144,338**	62	1,091,277
– Maison De L'Hui	**4**	**50,270**	4	47,844
– The Dining Room	**13**	**70,028**	4	7,033
– Shanghai Min's Family Restaurant	**1**	**6,074**	—	—
Hong Kong				
– Shanghai Min	**9**	**177,888**	9	173,652
– The Dining Room	**3**	**58,058**	3	51,711
Macau				
– Shanghai Min	**1**	**27,872**	1	11,977
– The Dining Room	**1**	**814**	—	—
Total revenue of restaurant operation[2]	**103**	**1,535,342**	83	1,383,494
Other revenue		**8,857**		2,417
Total revenue		**1,544,199**		1,385,911

Note

1 The People's Republic of China ("China"), which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan.

2 In 2014, we opened 11 Shanghai Min restaurants, 11 "the dining room" restaurants, and 1 Shanghai Min's Family Restaurant. At the same time, 2 Shanghai Min restaurants and 1 "the dining room" restaurant were closed. As at the end of 2014, we operated 103 restaurants.

3 The number of restaurants does not include the series of 32 Pokka café stores that completed acquisition in 2015, 32 "Mai Chi Ling" licensed stores and 16 stores of "Uncle Tetsu" that we provide management services.

Revenue

Revenue of the Group increased by RMB158.3 million, or 11.4%, from RMB1,385.9 million in 2013 to RMB1,544.2 million in 2014. This increase was due to an increase of RMB151.8 million in revenue from the restaurant operations and licensing revenue of RMB6.5 million from "Mai Chi Ling" newly launched during the year.

Revenue from restaurant Operation

Revenue from restaurant operations increased by RMB151.8 million, or 11.0%, from RMB1,383.5 million in 2013 to RMB1,535.3 million in 2014, with the sales of 51 comparable restaurants in 2014 (including Shanghai Min restaurants, the dining room restaurants and Maison De L' Hui restaurants) increased by RMB10.0 million, representing a same store growth of 1.0%.

Revenue from Shanghai Min restaurants increased by RMB 73.2 million as compared to 2013, of which revenue from comparable restaurants increased by RMB 3.8 million, representing 0.4% increase, as compared with 2013. A RMB 168.7 million increase in revenue from Shanghai Min restaurants that were newly opened in 2013. A RMB 44.3 million increase in revenue from Shanghai Min restaurants that were newly opened in 2014. Revenue from other stores[1] decreased by RMB 143.6 million as compared with 2013.

Revenue from Maison De L' Hui restaurants increased by RMB 2.4 million as compared to 2013, of which revenue from comparable restaurants increased by RMB 5.7 million, representing 12.7% increase, as compared with 2013. Revenue from other stores[1] decreased by RMB 3.2 million as compared with 2013.

Revenue from "the dining room" restaurants increased by RMB 70.2 million as compared to 2013, of which revenue from comparable restaurants increased by RMB 0.5 million, representing 1.4% increase, as compared with 2013. A RMB 40.8 million increase in revenue from "the dining room" restaurants that were newly opened in 2013. A RMB 28.9 million increase in revenue from "the dining room" restaurants that were newly opened in 2014.

A RMB6.1 million increase in revenue from 1 Shanghai Min's Family Restaurant that was newly opened in 2014.

Note 1: Other stores refer to the non-comparable stores other than the comparable stores and the newly opened stores in 2013 and 2014, including those stores we renovated, changed space or location, suspended operation or closed.

other Revenue

Other revenue increased by RMB6.4 million, from RMB2.4 million in 2013 to RMB8.8 million in 2014 of which revenue from new "Mai Chi Ling" licensing business newly amounted to RMB6.5 million in 2014.

Cost of SALES

Cost of sales increased by RMB50.5 million, or 11.0%, from RMB458.8 million in 2013 to RMB509.3 million in 2014, which was primarily due to an increase in quantities of food and beverages consumed as a result of an increase in operating revenue.

Cost of sales as a percentage of the revenue decreased by 0.1%, from 33.1% in 2013 to 33.0% in 2014.

Other income AND GAINS

Other income and gains increased by RMB6.6 million, from RMB40.0 million in 2013 to RMB46.6 million in 2014, primarily reflecting (i) government grants received increased by RMB9.7 million in the year 2014 compared with the year 2013; (ii) management fee income increased by RMB5.9 million in 2014; (iii) a decrease of RMB4.0 million of exchange gain in 2014 when compared to 2013; (iv) interest income earned from bank decreased by RMB3.4 million in 2014 as compared to 2013; and (v) a decrease of RMB1.6 million in landlord compensation and others in 2014 as compared to 2013.

Selling and distribution costs

Selling and distribution costs increased by RMB101.9 million, or 12.3%, from RMB830.0 million in 2013 to RMB931.9 million in 2014, which primarily reflected the expansion of our operations in 2014 and rise in labor cost.

Labor costs related to the restaurants, central kitchens and central warehouses increased by RMB44.3 million, or 13.5%, from RMB329.3 million in 2013 to RMB373.6 million in 2014 primarily reflected the expansion in company operation. Benefited from the reduction in store employees number as a result of operating process optimization and store efficiency enhancement, labour cost as a percentage of our revenue only increased by 0.4%, from 23.8% in 2013 to 24.2% in 2014, in spite of the statutory required increase in social security charge.

Occupancy costs related to restaurants, central kitchens and central warehouses increased by RMB25.3 million, or 10.5%, from RMB241.9 million in 2013 to RMB267.2 million in 2014. Occupancy costs as a percentage of our revenue decreased from 17.5% in 2013 to 17.3% in 2014, primarily attributable to the successful negotiation with certain landlords on short term rental reduction.

Depreciation and amortisation charges related to the restaurants, central kitchens and central warehouses increased by RMB17.2 million, or 16.6%, from RMB103.8 million in 2013 to RMB121.0 million in 2014. Depreciation and amortisation charges as a percentage of our revenue increased from 7.5% in 2013 to 7.8% in 2014, primarily attributed to the increased depreciation in 2014 from central kitchen at Northern and Southern China that commenced operation at the end of 2013 and the continuous depreciation charges of suspended restaurants.

General and administrative expenses

Administrative expenses increased by RMB14.8 million, or 13.1%, from RMB113.0 million in 2013 to RMB127.8 million in 2014. Such increase primarily reflected the expansion in company operation and one-off expenses in development and acquisition of new brands.

Labour cost of headquarter and management staff increased by RMB8.2 million from RMB76.9 million in 2013 to RMB85.1 million in 2014, reflecting the expansion in the scale of the company's operation. The proportion of labour cost to our revenue was 5.5% and remained the same as 2013.

Other administrative expenses increased by RMB6.6 million from RMB36.1 million in 2013 to RMB42.7 million in 2014. Other administrative expenses as a percentage to our revenue increased from 2.7% in 2013 to 2.8% in 2014, was mainly attributable to our one-off expense in the development and acquisitons of new brands for the multi-brand strategy.

Income tax expense

Income tax expense increased by RMB2.0 million, or 39.2%, from RMB5.1 million in 2013 to RMB7.1 million in 2014, which was mainly attributable to increased earnings shares contributed by Mainland segment that has a higher tax burden compared with other regions.

Profit for the year

As a result of the foregoing, the profit for the year increased by RMB0.3 million, or 53.8%, from RMB0.7 million in 2013 to RMB1.0 million in 2014.

Dividends payable

In 2014, the Group did not pay any dividends. As at 31 December 2014, there was no outstanding dividend 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 31 December 2014, the Group's total interest-bearing bank loans were RMB236.1 million.

In 2014, the Group had net cash inflows from operating activities of RMB78.8 million (2013: RMB112.0 million). As at 31 December 2014, the Group had RMB269.3 million in cash and cash equivalents (31 December 2013: RMB324.5 million). The following table sets the certain information regarding the consolidated cash flows for the years ended 31 December 2014 and 2013:

	As of 31 December	
	2014	2013
	RMB'000	RMB'000
Net cash flows from operating activities	**78,814**	112,002
Net cash flows used in investing activities	**(164,729)**	(202,532)
Net cash flows from financing activities	**29,911**	4,250
Net decrease in cash and cash equivalents	**(56,004)**	(86,280)
Cash and cash equivalents at beginning of the year	**324,499**	416,797
Effect of foreign exchange rate, net	**810**	(6,018)
Cash and cash equivalents at end of the year	**269,305**	324,499

Operating activities

Net cash inflow from operating activities decreased by RMB33.2 million from RMB112.0 million in 2013 to RMB78.8 million in 2014, which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB149.3 million (2013: RMB133.2 million), (ii) the operating cash outflow resulting from change of working capital of RMB 49.3 million (2013: inflow of RMB 20.9 million).

Investing activities

Net cash flow used in investing activities was RMB164.7 million in 2014, representing a decrease of RMB37.8 million as compared to 2013. It is mainly due to the opening of 11 new "the dining room" restaurants with an average investment of RMB3.0 million in a single restaurant in 2014, which was RMB7.0 million lower than the investment for a single store of Shanghai Min at around RMB10.0 million.

Financing activities

Net cash flow from financing activities changed from an inflow of RMB4.3 million during 2013 to an inflow of RMB29.9 million during 2014, representing an increase of RMB25.6 million, which was primarily attributable to (i) no dividends payable in 2014 (2013: outflow of RMB40.4 million); (ii) net inflow from bank loan (proceeds received less loan repaid) of RMB32.9 million (2013: net inflow RMB46.4 million); and (iii) capital contribution from the non-controlling interests of RMB2.0 million (2013: RMB5.0 million).

The gearing ratio of the Group and its basis of calculation are set out in Note 38 to the financial statements.

Foreign Currency Exposure

The Group's exposure to the risk of changes in foreign exchange rates relates preliminary to the Group's operating activities (to the extent that revenue or expenses are denominated in a currency that is different from the functional currency of the relevant subsidiaries of the Group). None of the Group's sales or purchase during the year 2014 was denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure of foreign exchange risk.

Net Current Assets/Liabilities

The Group recorded net current assets of RMB1.9 million as at 31 December 2014, a decrease of RMB9.1 million compared to the net current assets recorded as at 31 December 2013, which was primarily used in the capital expenditure as the number of new restaurants increased in 2014.

The Group expects to finance the working capital requirements with the following sources of funding: (i) cash inflows from operating activities; (ii) proceeds from bank loans; and (iii) proceeds received from the global offering by the Group.

Contingent Liabilities

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

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

	31 December 2014 RMB'000	31 December 2013 RMB'000
Within one year	**247,237**	244,530
In the second to fifth years, inclusive	**694,581**	814,450
After five years	**283,368**	410,458
	1,225,186	1,469,438

Capital Commitment

Capital commitments were approximately RMB247.5 million and RMB51.4 million as at 31 December 2014 and 31 December 2013, respectively.

Human Resources

The salary level of employees in the restaurant industry has been generally increasing in recent years. Employee attrition levels tend to be higher in the food services industry than in other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 31December 2014, the Group employed about 5,965 employees in China, Hong Kong and Macau. During 2014, total staff cost was RMB458.7 million, representing 29.7% of the revenue (2013: RMB406.2 million, 29.3% of the revenue).

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own corporate governance code. During the year ended 31 December 2014, save as disclosed in this report, the Company has complied with all applicable code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry to all Directors, all Directors have confirmed that, they had complied with the with the Required Standard as set out in the Model code throughout the year ended 31 December 2014.

BOARD OF DIRECTORS

The Board is the governing body of the Company. It is responsible for the efficient management of the catering business of the Group, formulating and reviewing the corporate governance policies of the Company, reviewing and monitoring the policies and practices with regard to the Company's compliance with statutory requirements, and the Company's observance of the CG Code. The Board is fully aware of its principal responsibilities to the Company and its duties to protect and enhance the interests of the shareholders of the Company.

The Company's management implemented the relevant strategies and handled the Group's operation under the authorization and power of the Board.

As at the date of this report, the Board consists of the following 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

All Directors have appropriate professional qualification or substantive experience and industry knowledge. Except that Ms. Wang Huili is the sister of Ms. Wang Huimin and Mr. Wang Hairong is the brother of both Ms. Wang Huimin and Ms. Wang Huili, there is no other relationship among members of the Board. The Board adopted and approved its diversity policy on the composition of board members during the year of 2013. The appointments of board members shall take into account the diversity policy on the composition of board members, including, but not limited to, sex, age, cultural and educational background, race, professional experiences, skills, expertise, and terms of services.

During the year ended 31 December 2014, the composition of the Board of the Company is in compliance with the requirement of the Listing Rules with one-third of the members of the Board are independent non-executive Directors. There are three independent non-executive Directors and one of them has accounting and financial related professional qualification. The independent non-executive Directors provided independent opinion on the Company's connected transactions, and participated in the Audit Committee, Remuneration Committee and Nomination Committee, to advise strategically the development of the Company.

All Directors have already entered into service contract with the Company. The appointment of non-executive Director Mr. Wang Hairong is for a term of three years from 29 August 2012. Other than the director above, the appointments of all other non-executive Directors and independent non-executive Directors are for a term of three years from 4 July 2012, and the appointments of executive Directors are for a term of three years from 8 June 2012. The appointments of all Directors of the Company will be terminated until a party giving at least three months prior notice to the another party.

The Company has received the annual confirmation from each of the independent non-executive Directors about his independence in accordance with Rule 3.13 of the Listing Rules and considers each of them to be independent.

BOARD MEETINGS

The Company adopts the practice of regular board meetings and notices of regular Board meetings are served to all Directors no less than 14 days before the meetings. All of the Directors have chance to attend the regular meetings and discuss issues on agenda. For all other Board and Committee meetings, reasonable notice is generally given. The final versions of the minutes of all Board meetings and respective Committees meetings are normally circulated to Directors for comment within a reasonable time after each meeting is held.

There were six full Board meetings and two general meetings held during the year ended 31 December 2014. Attendance of each Director is set out as below:

Directors	Number of meetings attended/Total number of meetings	General meetings attended/Eligible to attend
Ms. Wang Huimin	6/6	1/2
Ms. Wu Wen	3/6	0/2
Mr. Kang Jie	6/6	1/2
Ms. Wang Huili	3/6	0/2
Mr. Weng Xiangwei	6/6	1/2
Mr. Wang Hairong	5/6	0/2
Mr. Tsang Henry Yuk Wong	6/6	2/2
Mr. Wang Chiwei	6/6	0/2
Mr. Wang Yu	6/6	0/2

Pursuant to Code Provision A.6.7 of Corporate Governance Code, it was recommended that all non-executive directors of the Company should attend general meetings of the Company. Other than Ms. Wu Wen, Ms. Wang Huili, Mr. Wang Hairong, Mr. Wang Chiwei and Mr. Wang Yu who did not attend the annual general meeting ("AGM") of the Company held on 5 June 2014 due to other business engagements arranged in advance, other non-executive directors (including independent non-executive directors) of the Company attended the AGM. In addition, other than Mr. Tsang Henry Yuk Wong who attended the extraordinary general meeting of the Company held on 24 July 2014, other directors were absent from that general meeting due to other business engagements arranged in advance.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER ("CEO")

Under the code provision A.2.1 of the CG Code, the roles of Chairlady and CEO should be separate and should not be performed by the same individual. For the year ended 31 December 2014, Ms. Wang Huimin was the Chairlady of the Board and Mr. Kang Jie was the CEO, of which the roles are separate and not performed by the same individual.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

In compliance with the code provision A.4.2 of the CG Code, every Director shall be subject to retirement by rotation at least once every three years. Further, according to Article 84 of the Company's Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than onethird) shall retire from office by rotation. The retiring Directors are to be those longest in office since their last election or re-appointment, but will be eligible for re-election. At the same time, the Articles of Association of the Company granted the right to the Board to appoint any person as a Director either to fill a vacancy on the Board or join the Board. Any Director appointed to fill the vacancy shall hold office until the Company's first general meeting after the appointment and will be eligible for re-election at that general meeting. Any newly appointed Directors joining the Board shall hold office until the Company's first annual general meeting after the appointment and will be eligible for re-election at that general meeting. The duties of the Nomination Committee are to review the structure, size and composition of the Board, and to recommend individuals suitably qualified to become members of the Board to the shareholders at the annual general meeting for the election.

Ms. Wang Huimin, Mr. Tsang Henry Yuk Wong and Mr. Wang Yu are the three Directors who shall retire by rotation at the forthcoming annual general meeting of the Company. Ms. Wang Huimin, being eligible, offered herself for re-election as Director at the forthcoming annual general meeting of the Company. Mr. Tsang Henry Yuk Wong and Mr. Wang Yu will not offer themselves for re-election as they would like to devote more time to look after their other business commitments.

INDUCTION AND CONTINUOUS DEVELOPMENT FOR DIRECTORS

Every new director will be given formal, comprehensive and necessary induction information, to ensure a reasonable understanding of the Company's business and operation, and to fully understand the directors' responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors will be updated as regard to the latest development of the relevant laws and regulatory systems so as to assist them in performing their duties.

BOARD COMMITTEE

Audit Committee

The Audit Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the Listing Rules and the CG Code. The Audit Committee comprised of two independent non-executive Directors and one non-executive Director, namely Mr. Tsang Henry Yuk Wong, Mr. Weng Xiangwei and Mr. Wang Yu while, Mr. Tsang Henry Yuk Wong is Chairman of the Audit Committee. The principal duties of the Audit Committee include:

- responsible for the appointment, re-appointment and removal of the independent auditor and provide recommendations to the Board; approving the remuneration of the independent auditor, monitoring the duties of the independent auditor and implementing the policy of the Company for engaging of independent auditor for provision of non-audit services;
- reviewing the annual and interim financial statements, monitoring the Company's financial control, internal control and risk management and the Company's financial and accounting policies, to ensure the execution of the above policies are in place;
- reviewing the complaint process of the Company dealing with financial reporting, internal control or other violations of laws and regulations; and
- reviewing the arrangement of the Company and pursuant to which employees of the Group can secretly raise concerns about any possible misconducts arising from financial reporting, internal control or other matters. To ensure proper arrangement is in place and a fair and independent investigation of such matters and appropriate follow-up actions will be taken by the Company.

For the year ended 31 December 2014, the Audit Committee has held two meetings to review the interim results and financial statements of the Company and its subsidiaries for the six months ended 30 June 2014 and the annual results and the financial statements for the year ended 31 December 2013. The attendance record of the members of the Audit Committee is set out in the table below:

Directors	Number of meetings attended／Total number of meetings held
Mr. Tsang Henry Yuk Wong	2/2
Mr. Weng Xiangwei	2/2
Mr. Wang Yu	2/2

Remuneration Committee

The Remuneration Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the CG Code. During the period under review, the Remuneration Committee comprised of three members, namely Mr. Wang Yu, Ms. Wang Huimin and Mr. Wang Chiwei, majority of whom are independent non-executive Directors. Mr. Wang Yu is chairman of the Remuneration Committee. The principal duties of the Remuneration Committee include formulating human resources management policies, reviewing the Company's compensation policies, and determining the remuneration package for the Company's executive Directors and senior management and advise the remuneration of non-executive Directors to the board.

For the year ended 31 December 2014, the Remuneration Committee held four meetings to recommend the Board on the compensation policies and structure for all Directors and senior management as well as other relevant matters. The attendance record of the members of the Remuneration Committee is set out in the table below:

Directors	Number of meetings attended／Total number of meetings held
Mr. Wang Yu	4/4
Ms. Wang Huimin	4/4
Mr. Wang Chiwei	4/4

Nomination Committee

The Nomination Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the CG Code. During the year ended 31 December 2014, the Nomination Committee comprised of three members namely Mr. Wang Chiwei, Ms. Wang Huimin and Mr. Tsang Henry Yuk Wong, majority of whom are independent non-executive Directors. Mr. Wang Chiwei is the Chairman of the Nomination Committee. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, and making recommendations to the Board on the selection of individuals to fill in vacancy on the Board.

For the year ended 31 December 2014, the Nomination Committee has held one meeting. The attendance record of the Nomination Committee is set out in the table below:

Directors	Number of meetings attended／Total number of meetings held
Mr. Wang Chiwei	1/1
Ms. Wang Huimin	1/1
Mr. Tsang Henry Yuk Wong	1/1

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2014, and they have to give true and fair opinion on the Group's affairs as well as the Group's results and cash flow. The Directors, after making all reasonable enquiries, confirmed that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Company's assets and the Shareholders' interests and to conduct annual review of the effectiveness of the system. The Group's internal audit department plays a key role in monitoring of the Company's internal governance. The Board, through the Audit Committee, had reviewed the effectiveness and adequacy of the control system of the Group's internal control.

COMPANY SECRETARY

Ms. Leng Yijia has been appointed as the joint company secretary since 4 July 2012. Ms. Leng is a full time staff and is familiar with the Company's daily operation. She reports duty to the Chairlady and/or the CEO. The Company also engaged Ms. Mok Ming Wai, Director of KCS Hong Kong Limited as the joint company secretary, who will be responsible for assisting Ms. Leng in performing her duties as the company secretary. Ms. Leng Yijia is the principal contact person of the Company. For the year ended 31 December 2014, Ms. Leng Yijia and Ms. Mok Ming Wai have received not less than 15 hours of relevant professional training to update their knowledge and skill.

REMUNERATION OF THE SENIOR MANAGEMENT

For the year ended 31 December 2014, the remuneration of senior management, other than CEO, is listed as below by band:

Band of remuneration (HKD)	No. of person
HK$1,000,000 and below	1
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1

Further details of the remuneration of Directors and the 5 highest paid employees required to be disclosed under Appendix 16 of the Listing Rules have been set out in Notes 8 and 9 to the financial statements.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the annual audit fees paid to the external auditors of the Company amounted to RMB2.512 million.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with shareholders are most important to improve investor relations and understanding of the Group's business, performance as well as strategy. The Company also recognizes the importance of nonselective and timely disclosure of information, which will enable shareholders and investors to make informed investment decisions.

To promote effective communication, the Company maintains a website at www.xiaonanguo.com where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for shareholders' and public access.

CONVENING AND PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Any one or more shareholder holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings can convene extraordinary general meetings by depositing or sending a written requisition addressed to the Board or Company Secretary for the transaction of any business specified in such requisition. All such requisition should be sent to headquarter and principal place of business in the People's Republic of China at 777 Jiamusi Road, Yangpu District, Shanghai, The People's Republic of China, attention to the company secretary Ms. Leng Yijia.

Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of the deposit of the requisition, the requisitionist(s) himself/themselves may convene the meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene the meeting will be reimbursed to the requisitionist(s) by the Company.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders can make enquiries to the Board by way of emails to: ir@xiaonanguo.com.

CHANGES OF CONSTITUTIONAL DOCUMENT

The Company's Memorandum and Articles of Association (as restated) were adopted by the Company on 8 June 2012 and came into effect from the date on which the Shares were listed on the Stock Exchange. During the year ended 31 December 2014, the Company has not made any changes to its constitutional documents.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each issue at shareholder meetings, including the election of individual Directors. All resolutions proposed at the shareholders' meeting will be voted by poll in accordance with the Listing Rules. The result of the poll voting will be duly published on the Company's website at www.xiaonanguo.com and the HKEx website at www.hkex.com.hk after the general meeting.

Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. WANG Huimin, aged 60, is the chairlady and an executive Director of the Company. Ms. Wang is the founder of the Company and primarily responsible for the overall corporate strategies and management of the Group. Ms. Wang has over 28 years of experience in the restaurant industry since commencement of business of the first Xiao Nan Guo restaurant at Chang Sha Road, Huangpu District, Shanghai in 1987 where she served as the general manager responsible for its overall operation until 1999. Ms. Wang also serves as the executive director of Xiao Nan Guo (Group) Co., Ltd. and assumes the directorships in some of the Excluded Businesses or their shareholders, including Shanghai Xin Di Restaurant Co., Ltd., An Heng (Shanghai) Restaurant Management Co., Ltd. (安恒(上海)餐飲管理有限公司), spa business, Shanghai WH Ming Hotel Co., Ltd. (上海小南國花園酒店有限公司), Allied First (H.K.) Limited (合豐(香港)有限公司) and Multi Concepts Link Restaurant Management Limited (無限創意餐飲管理有限公司). Ms. Wang Huimin is the sister of Ms. Wang Huili and Mr. Wang Hairong.

Ms. WU Wen, aged 46, is an executive Director of the Company and is primarily responsible for construction and decoration work of all the Group's restaurants and other work required by the Board. Ms. Wu started her career with Xiao Nan Guo restaurants since her joining of the first restaurant under the brand "Xiao Nan Guo" at Changsha Road, Huangpu District, Shanghai in 1993 where she was responsible for customer services related matters until 2008. During over 20 years with Xiao Nan Guo restaurants, Ms. Wu served various positions at the Company's wholly-owned subsidiaries which primarily focus on our restaurant business in Shanghai, including executive directors of Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. (上海浦東小南國餐飲有限公司) from 1997 to 2011 and Shanghai Jing'an Xiao Nan Guo Co., Ltd. (上海靜安小南國餐飲有限公司) from 2004 to 2008, respectively.

Mr. KANG Jie, aged 40, is an executive Director and the chief executive officer of the Company. He joined our Group in 2008 as the chief executive officer of Shanghai Xiao Nan Guo Restaurant Co., Ltd. as well as Xiao Nan Guo Holdings Limited, the Company's wholly-owned subsidiaries which operate the Group's restaurant business in the PRC and Hong Kong, respectively. Mr. Kang is primarily responsible for overseeing the overall daily operations of the Group's business. Prior to joining our Group, Mr. Kang worked at BNP Paribas Peregrine Capital Limited and Bear Stearns & Co. Inc. from 2000 to 2008 respectively, during which period he served various positions including associate, vice president and managing director in the investment banking division responsible for the investment banking activities in the firm's Shanghai and Beijing offices. He was also appointed as the chief representative of the Shanghai representative office of Bear Stearns & Co. Inc. in 2005. From 1998 to 2000. Mr. Kang served as an auditor at the Shanghai Office of Arthur Anderson LLP.

NON-EXECUTIVE DIRECTORS

Ms. WANG Huili, aged 57, has been appointed as a non-executive Director of the Company, effective from the Listing Date. Ms. Wang Huili is a co-founder of the Group and has worked for Xiao Nan Guo restaurants for over 26 years since commencement of business of the first restaurant under the brand "Xiao Nan Guo" at Changsha Road, Huangpu District, Shanghai in 1987 where she served as the manager in charge of its daily management until 2008. Ms. Wang Huili was an executive director of Shanghai Xiao Nan Guo Restaurant Co., Ltd. from January 2002 to July 2010 and was appointed as the supervisor of that company in July 2010. She also currently holds the directorship of WHM Japan Co., Ltd. and Shanghai Wen Hui Huju Opera Troupe (上海文慧滬劇團). Ms. Wang Huili is the sister of Ms. Wang Huimin and Mr. Wang Hairong.

Mr. WENG Xiangwei, aged 48, has been appointed as a non-executive Director of the Company, effective from the Listing Date. Mr. Weng is the founder of Shining Capital Management Limited and has extensive experience in investment banking and private equity investment. Prior to that, Mr. Weng was an executive director at the corporate finance department and "Head of Mergers and Acquisitions, China" of Goldman Sachs (Asia) L.L.C. From January 2005 to January 2007, Mr. Weng served as the general manager in charge of corporate operations at Gome Electrical Appliances Holding Limited (stock code: 0493), a company listed on the Stock Exchange of Hong Kong ("Stock Exchange"). Mr. Weng also worked at Morgan Stanley group of companies from June 1998 to January 2005. Mr. Weng received his bachelor's degree in physics from Peking University in 1989 and his Ph.D. degree in biophysics from University of California at Berkeley in 1996.

Mr. WANG Hairong, aged 52, non-executive director of the Company. He was working at a number of the Group's restaurants in Shanghai, including Shanghai Xiao Nan Guo Restaurant (Hongqiao) (上海小南國大酒店虹橋店), Shanghai Xiao Nan Guo Restaurant (Huangpu) (黃埔區小南國大酒店) and Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. (上海浦東小南國餐飲有限公司). Mr. Wang is the younger brother of Ms. Wang Huimin and Ms. Wang Huili.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TSANG Henry Yuk Wong, aged 60, has been an independent non-executive Director of the Company, from the Listing Date. Mr. Tsang is director of corporate development of Bio-Cancer Treatment International Limited, a biological drug development company, from December 2013. He is also currently holding the position of non-executive director at Horizon Asia Fund Ltd., an Asia focused investment fund and its investment adviser, Horizon Capital Management and Research Ltd. From December 2007 to April 2013, Mr. Tsang served as managing director of Jigs Limited, a furniture design and manufacturing company, of which he was a co-founder and is still serving as a non-executive director. Previously, Mr. Tsang has accumulated extensive experience in investment banking, through his working experience at Bear Stearns & Co. Inc. (where he last served as president of Bear Stearns Asia Limited), BOC International and Merrill Lynch & Co. He was also a partner of Search Asian Mezzanine Capital Ltd., a private equity firm sponsored by Search Investment Group. During his nearly 28 years as an investment banker and private equity professional, Mr. Tsang actively participated in equity and bond offerings, including a number of initial public offerings on the Stock Exchange, mergers and acquisitions and private equity investment transactions. Mr. Tsang has been active in public services, including serving as a member of the Hong Kong Broadcasting Authority from September 2005 to March 2012, and as a director of Hong Kong Applied Science and Technology Research Institute Company Limited from October 2002 to September 2008. Mr. Tsang received his bachelor's degree in chemical engineering (magna cum laude) from University of Houston in 1978 and his MBA degree from Rice University in 1980.

Mr. WANG Chiwei, aged 59, has been an independent non-executive Director of the Company, from the Listing Date. Mr. Wang is also currently holding the position as a vice president at Sumitomo Metal Mining Management (Shanghai) Co., Ltd., and has been an executive director and a deputy general manager at Jiangxi Copper Company Limited (stock code: 0358), a company listed on the Stock Exchange, including executive director and deputy general manager from 1998 to 2013, deputy chief economist as well as director of the planning department, deputy director of the sales and transportation department of the Guixi Smelter from 1980 to 1992, and he has also served various positions in Shanghai Smelter such as deputy general manager from 1995 to 1998. Mr. Wang is also a membership director of Shanghai Futures Exchange (上海期貨交易所), a member of China Futures Association (中國期貨業協會), a member of Shanghai Arbitration Commission (上海仲裁委員會), the chairman of Shanghai Gold Exchange Committee (上海黃金交易所交易委員會), the vice chairman of China Gold Association (中國黃金協會), the vice president of China Sulphuric Acid Industry Association (中國硫酸協會), the vice chairman of China Chemical Mining Association (中國化學礦業協會) as well as an executive member of Jiangsu Province Association for Friendship with Foreign Countries (江蘇省對外友好協會). Mr. Wang obtained a certificate of senior economist in December 1995.

Mr. WANG Yu, aged 44 , has been an independent non-executive Director of the Company, from the Listing Date. Mr. Wang is an Executive Director and the president of Hua Hong Semicnductor Limited(stock code:1347.HK) . Mr. Wang joined Grace Semiconductor Co., Ltd. (上海宏力半導體有限公司) as an executive vice president in March 2010 and president at that company. Prior to that, Mr. Wang held various positions at Shanghai Huahong NEC Electronic Co., Ltd. (上海華虹NEC電子有限公司), including financial director, head of financial department, vice president and chief financial officer, during the period from March 1998 to March 2010. Mr. Wang was appointed as a member of Shanghai Municipal Pudong New Area 1st China People's National Political Consultative Conference (上海市浦東新區第一屆政協委員) and Shanghai Municipal 10th National Congress of the All-China Youth Federation in 2000 and 2008, respectively. Mr. Wang received his bachelor's degree in foreign trade and his postgraduate degree in international finance from Shanghai University of Finance and Economics in 1994 and 1997, respectively.

SENIOR MANAGEMENT

Mr. SUN Yong, aged 43, is the Company's vice president primarily responsible for causal dinner business and food and beverage industry as well as development and construction related matters. Mr. Sun joined the Group in August 2011. Prior to that, he was a vice president at Shanghai Kungfu Fast Food Management Co., Ltd. (上海真功 夫快餐管理有限公司) taking charge of construction and development from January 2008 to August 2011. From March 2001 to January 2008, Mr. Sun served various positions at Yum! Brands Inc. China Division, including development manager and development senior manager. Mr. Sun received his bachelor's degree in economics from Shanghai International Studies University in June 1995 and a diploma in management from China Europe International Business School in December 2005.

Ms. LENG Yijia, aged 40, is a vice president of the Company taking charge of Chinese catering business of the Company and served as secretary of the Board/joint company secretary. She joined the Group in July 2010. Ms. Leng has over 16 years of experience in legal and management areas. Prior to joining the Company, she served as a legal manager, senior legal manger and legal director of Carrefour (China) Managing & Consulting Services Co., Ltd. (家樂福(中國)管理諮詢服務有限公司), from October 2003 to June 2010, and worked as a legal consultant at Coudert Brothers LLP from August 2000 to September 2003. From September 1998 to August 1999, she was an associate at the Shanghai office of Kang Da Law Firm (康達律師事務所). Ms. Leng received her L.L.B degree from East China University of Political Science and Law in 1998, her L.L.M degree from Temple University in 2001 and her MBA degree from the program jointly sponsored by Tong Ji University and École Nationale des Ponts et Chaussées (ENPC) in 2006. Ms. Leng holds the PRC lawyer qualification certificate.

Mr. ZHOU Bin, aged 40, is vice president of the Company who is primarily responsible for Western catering business as well as branding related matters. Mr. Zhou joined the Group in November 2008. Prior to joining the Company, he served as a deputy director from February 2006 to October 2008 and a consultant from April 2000 to April 2005 at Shanghai Ogilvy Commercial Consulting Co., Ltd. (上海奧美商務諮詢有限公司). From July 1998 to March 2000, he worked at Dun & Bradstreet (Shanghai) Consulting Co., Ltd. (鄧白氏(上海)諮詢有限 公司). Mr. Zhou received his bachelor's degree in international enterprise management from Shanghai University of Finance and Economics in 1998.

Ms. SHI Jun, aged 40, is a Senior HR & Administration Director of the Company who joined in October 2010 and is primarily responsible for the HR & Administration department. Prior to joining the Group, Ms. Shi served position as HR Director at Unisono Co., Ltd. from June 2008 to September 2010. From August 1998 to June 2008, Ms. Shi served various positions of P&G China including HR manager and Training Manager. Ms. Shi graduated in major of International Trading from Shanghai Financial College in July 1997, and she obtained Psychological Consultant Certification in 2005.

Mr. WANG Shoudong, aged 38, is a Senior Finance Director of the Company who joined in June 2011 and is primarily responsible for the finance department. Prior to joining the Group, Mr. Wang served various positions at Best Buy China where he served from January 2007 to May 2011, including Sr. Finance Operation Manager and Finance Manager . From July 1999 to January 2007, Mr. Wang served for finance department of Dazhong Transportation (Group) CO., LTD, a company listed on Shanghai Stock Exchange (Stock code: 600611). Mr. Wang obtained his bachelor's degrees in economics from Fudan University in July 1999, and his MBA degree from Fudan University in July 2007.

Independent Auditors' Report

Ernst & Young
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To the shareholders of Xiao Nan Guo Restaurants Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Xiao Nan Guo Restaurants Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
REVENUE	5	**1,544,199**	1,385,911
Cost of sales		**(509,272)**	(458,756)
Gross profit		**1,034,927**	927,155
Other income and gains	5	**46,616**	40,006
Selling and distribution expenses		**(931,853)**	(829,998)
Administrative expenses		**(127,812)**	(113,005)
Other expenses		**(7,746)**	(10,686)
Finance costs	7	**(6,015)**	(7,671)
PROFIT BEFORE TAX	6	**8,117**	5,801
Income tax expense	10	**(7,085)**	(5,130)
PROFIT FOR THE YEAR		**1,032**	671
Attributable to:			
Owners of the Company	11	**566**	1,075
Non-controlling interests		**466**	(404)
		1,032	671
Earnings per share attributable to ordinary equity holders of the Company			
– Basic	13	**RMB0.04 cents**	RMB0.07 cents
– Diluted	13	**RMB0.04 cents**	RMB0.07 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement Of Comprehensive Income

Year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		**1,032**	671
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,001**	(7,877)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**1,001**	(7,877)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**2,033**	(7,206)
Attributable to:			
Owners of the Company	11	**1,567**	(6,802)
Non-controlling interests	17	**466**	(404)
		2,033	(7,206)

Consolidated Statement of Financial Position

31 December2014

	Notes	**31 December 2014 RMB'000**	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property and equipment	14	**685,999**	685,506
Intangible assets	15	**4,325**	4,500
Available-for-sale investments	18	**20,100**	20,100
Long-term rental deposits	16	**66,234**	54,975
Deferred tax assets	27	**72,611**	58,869
Other long-term assets		**157**	369
Total non-current assets		**849,426**	824,319
CURRENT ASSETS			
Inventories	19	**45,014**	49,901
Trade receivables	20	**18,068**	16,214
Prepayments, deposits and other receivables	21	**175,693**	151,243
Cash and cash equivalents	22	**269,305**	324,499
Total current assets		**508,080**	541,857
CURRENT LIABILITIES			
Trade payables	23	**102,458**	84,808
Derivative financial instruments	25	**—**	401
Interest-bearing bank loans	26	**236,141**	203,236
Tax payable		**16,240**	16,715
Other payables and accruals	24	**150,508**	224,285
Deferred income		**841**	1,398
Total current liabilities		**506,188**	530,843
NET CURRENT ASSETS		**1,892**	11,014
TOTAL ASSETS LESS CURRENT LIABILITIES		**851,318**	835,333

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT LIABILITIES			
Long-term payables	16	**61,887**	51,345
Deferred tax liabilities	27	**777**	716
Total non-current liabilities		**62,664**	52,061
Net assets		**788,654**	783,272
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**12,062**	12,047
Treasury shares	29(b)	**(2,711)**	—
Reserves	31	**772,809**	766,629
		782,160	778,676
Non-controlling interests	17	**6,494**	4,596
Total equity		**788,654**	783,272

Wang Huimin
Director

Kang Jie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

		Attributable to owners of the Company											
	Notes	Issued capital RMB'000 (note 29)	Share premium* RMB'000 (note 31(i))	Treasury shares RMB'000 (note 29(b))	Capital reserve* RMB'000 (note 31(iii))	Merger reserve* RMB'000 (note 31(ii))	Statutory surplus reserve* RMB'000 (note 31(iv))	Exchange fluctuation reserve* RMB'000 (note 31(v))	Share option reserve* RMB'000 (note 31(vi))	Retained earnings* 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 year		—	—	—	—	—	—	—	—	566	566	466	1,032
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		—	—	—	—	—	—	1,001	—	—	1,001	—	1,001
Total comprehensive income for the year		—	—	—	—	—	—	1,001	—	566	1,567	466	2,033
Acquisition of non-controlling interests		—	—	—	(403)	—	—	—	—	—	(403)	(597)	(1,000)
Issue of shares	29	15	2,237	—	—	—	—	—	(221)	—	2,031	—	2,031
Capital contribution from the non-controlling interests		—	—	—	—	—	—	—	—	—	—	2,029	2,029
Appropriation for reserve funds		—	—	—	—	—	340	—	—	(340)	—	—	—
Repurchase of shares	29(b)	—	—	(2,711)	—	—	—	—	—	—	(2,711)	—	(2,711)
Equity-settled share option arrangements	30	—	—	—	—	—	—	—	3,000	—	3,000	—	3,000
As of 31 December 2014		12,062	475,538	(2,711)	59,771	(69,246)	13,238	(16,329)	14,504	295,333	782,160	6,494	788,654

	Notes	Issued capital RMB'000 (note 29)	Share premium* RMB'000 (note 31(i))	Capital reserve* RMB'000 (note 31 (iii))	Merger reserve* RMB'000 (note 31 (ii))	Statutory surplus reserve* RMB'000 (note 31 (iv))	Exchange fluctuation reserve* RMB'000 (note 31 (v))	Share option reserve* RMB'000 (note 31(vi))	Retained earnings* RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company											
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 year		—	—	—	—	—	—	—	1,075	—	1,075	(404)	671
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		—	—	—	—	—	(7,877)	—	—	—	(7,877)	—	(7,877)
Total comprehensive income for the year		—	—	—	—	—	(7,877)	—	1,075	—	(6,802)	(404)	(7,206)
Final 2012 dividend declared		—	—	—	—	—	—	—	—	(30,991)	(30,991)	—	(30,991)
Issue of shares	29	15	2,067	—	—	—	—	(205)	—	—	1,877	—	1,877
Appropriation for reserve funds		—	—	—	—	86	—	—	(86)	—	—	—	—
Capital contribution from the non-controlling interests		—	—	—	—	—	—	—	—	—	—	5,000	5,000
Equity-settled share option arrangements	30	—	—	—	—	—	—	3,725	—	—	3,725	—	3,725
Interim 2013 dividend	12	—	(6,190)	—	—	—	—	—	(3,210)	—	(9,400)	—	(9,400)
As of 31 December 2013		12,047	473,301	60,174	(69,246)	12,898	(17,330)	11,725	295,107	—	778,676	4,596	783,272

* These reserve accounts comprise the consolidated reserves of RMB772,809,000 and RMB766,629,000 in the consolidated statements of financial position as at 31 December 2014 and 2013, respectively.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	Year ended 31 December 2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**8,117**	5,801
Adjustments for:			
Finance costs	7	**6,015**	7,671
Interest income	5	**(1,976)**	(5,363)
Depreciation	14	**126,184**	110,002
Amortisation of intangible assets	15	**1,294**	1,176
Amortisation of other long-term assets	6	**212**	212
Loss on disposal of items of property and equipment	6	**6,501**	9,996
Gain on disposal of a subsidiary	32	**—**	(16)
Equity-settled share option expense	6	**3,000**	3,725
		149,347	133,204
Decrease in inventories		**4,887**	8,712
(Increase)/decrease in trade receivables		**(1,854)**	10,615
Increase in prepayments, deposits and other receivables		**(73,043)**	(30,261)
Increase in trade payables		**17,650**	2,570
Increase in other payables and accruals		**4,342**	16,321
Increase in long-term rental deposits		**(11,259)**	(4,585)
Increase in long-term payables		**10,542**	18,075
Decrease in deferred income		**(557)**	(583)
Cash generated from operations		**100,055**	154,068
Income tax paid		**(21,241)**	(42,066)
Net cash flows from operating activities		**78,814**	112,002
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(173,929)**	(187,855)
Proceeds from disposal of items of property and equipment		**8,343**	—
Purchases of intangible assets		**(1,119)**	(1,040)
Disposal of a subsidiary	32	**—**	1,000
Purchase of available-for-sale investments		**—**	(20,000)
Interest received		**1,976**	5,363
Net cash flows used in investing activities		**(164,729)**	(202,532)

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**3,908**	—
Repurchase of shares		**(2,711)**	—
Repayment of bank loans		**(205,759)**	(281,546)
Proceeds from new bank loans		**238,664**	327,987
Capital contribution from the non-controlling interests		**2,029**	5,000
Dividends paid		—	(40,391)
Interest paid		**(6,220)**	(6,800)
Net cash flows from financing activities		**29,911**	4,250
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(56,004)**	(86,280)
Cash and cash equivalents at beginning of year		**324,499**	416,797
Effect of foreign exchange rate changes, net		**810**	(6,018)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**269,305**	324,499
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**264,501**	320,192
Time deposits with original maturity of less than three months	22	**4,804**	4,307
Cash and cash equivalents as stated in the statement of cash flows		**269,305**	324,499

Statement of Financial Position

31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Interests in subsidiaries	17	**536,107**	542,716
Total non-current assets		**536,107**	542,716
CURRENT ASSETS			
Cash and cash equivalents	22	**1,569**	1,788
Other receivables	21	**8,457**	1,877
Total current assets		**10,026**	3,665
NET CURRENT ASSETS		**10,026**	3,665
Net assets		**546,133**	546,381
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**12,062**	12,047
Treasury shares	29(b)	**(2,711)**	—
Reserves	31	**536,782**	534,334
Total equity		**546,133**	546,381

Wang Huimin
Director

Kang Jie
Director

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 address 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 chain restaurants in Mainland China, Hong Kong and other regions. There were no significant changes in the nature of the Group's principal activities during this year. Particulars of the companies now comprising the Group are set out in note 17 to the financial statements below.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.The financial statements have been prepared under the historical cost convention except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries(collectively referred to as the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC21	Levies
Amendment to IFRS 2 included in Annual Improvements 2010-2012 Cycle	Definition of Vesting Condition[1]
Amendment to IFRS 3 included in Annual Improvements 2010-2012 Cycle	Accounting for Contingent Consideration in a Business Combination[1]
Amendment to IFRS 13 included in Annual Improvements 2010-2012 Cycle	Short-term Receivables and Payables
Amendment to IFRS 1 included in Annual Improvements 2011-2013 Cycle	Meaning of Effective IFRSs

[1]Effective from 1 July 2014

The adoption of the revised IFRSs and new interpretation has had no significant financial impact on these financial statements.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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	Financial Instruments[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
IFRS 14	Regulatory Deferral Accounts[5]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IAS 1	Disclosure Initiative[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[2]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

[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

[5] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED *(continued)*

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively.The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments:* Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1– based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2– based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3– based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Intangible assets (other than goodwill)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Annual rate	Estimated residual values rate
Furniture, fixtures and equipment	19%	5%
Motor vehicles	19%	5%
Leasehold improvements	Over the shorter of lease terms and estimated useful period	0%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents restaurant decoration and machinery and other assets under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction, installation and testing during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill) *(continued)*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

	Annual rate	Estimated residual values rate
Software	10%-20%	0%

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of the profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integrated part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss, if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, derivative financial instruments, interest-bearing bank loans and long-term payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term.This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of profit or loss on the purchase, sales, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in equity.

Inventories

Inventories comprise ingredients, consumables and food and beverages and are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Deferred income

A liability is recognised based on the fair value of credit awards earned by the customers in accordance with the Group's membership programme and the Group's past experience on the level of redemption of credit awards and are recorded in deferred income. The revenue of the Group is deducted when the credit awards are recognised.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and the associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and the associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from restaurant operations, when catering services have been provided to customers;

(b) from the sale of foods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the foods sold;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(d) compensation income, on a time proportion basis over the compensation period;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) royalty and franchise income, on an accrual basis in accordance with the terms of the relevant agreements.

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and charged to statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme. Details of the central pension scheme are set out in note 28 below.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Group's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas subsidiariesare currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group (RMB) at the exchange rates prevailing at the end of the reporting period, and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing date.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases as lessee on its restaurant chain stores. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the landlords retain all the significant risks and rewards of ownership of these properties which are leased to the Group on operating leases.

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Shanghai Mizhilian Restaurant Management Co., Ltd ("Mizhilian") even though it owns 50% of the voting rights. This is because the Group controls Mizhilian by being exposed and owing rights to variable returns from its involvement with Mizhilian and owning the ability to affect those returns through its power over Mizhilian.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Lack of significant influence even though the Group holds more than 20% of voting rights

The Group considers that it lack of significant influence on Yancheng Guanhua Aquatic Products Co., Ltd. ("Yancheng Guanhua") even though it owns more than 20% of the voting rights. This is because the Group has failed to obtain representation on the Yancheng Guanhua's board of directors, and cannot participate in policy-making processes.

Estimation uncertainty

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

Useful lives of property and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property and equipment. This estimate is based on the historical experience of the actual useful lives of property and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to tax losses at 31 December 2014 and 2013 were RMB41,047,000 and RMB34,523,000, respectively. Further details are contained in note 27 to the financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer taste or competitor actions. Management reassesses these estimates at each reporting date.

Impairment of receivables

Impairment of receivables is made based on assessment of their recoverability. The identification of impairment of receivables requires management's judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will impact the carrying value of the receivables and impairment loss/reversal of impairment in the period in which the estimate has been changed.

Deferred income

The amount of revenue attributable to the credit award earned by the customers of the Groups' membership programme is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate was estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed.

4. OPERATING SEGMENT INFORMATION

The Group is engaged in the principal business of operating Chinese restaurant chain stores. For management purposes, the Group operates in one business unit, and has one reportable segment which is the Chinese restaurant operation. No operating segments have been aggregated to form the above reportable operating segment.

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Mainland China	**1,279,567**	1,148,571
Hong Kong	**235,946**	225,363
Others	**28,686**	11,977
	1,544,199	1,385,911

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

(b) Non-current assets

	31 December	31 December
	2014	2013
	RMB'000	RMB'000
Mainland China	**699,066**	676,126
Hong Kong	**54,659**	67,877
Others	**2,990**	1,347
	756,715	745,350

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

Information about major customers

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2014 and 2013, no segment information about major customers as required by IFRS 8 *Operating Segments* is presented.

5. REVENUE,OTHER INCOME AND GAINS

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

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

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Revenue		
Restaurant operations	**1,535,342**	1,383,494
Other revenue	**8,857**	2,417
	1,544,199	1,385,911

		Year ended 31 December	
		2014	2013
	Note	**RMB'000**	RMB'000
Other income			
Government grants		**33,250**	23,522
Bank interest income		**1,976**	5,363
Management fee		**8,877**	3,000
Compensation income from landlords		—	2,816
Foreign exchange differences		—	3,968
Others		**2,513**	1,321
		46,616	39,990
Gains			
Gain on disposal of a subsidiary	32	—	16
		46,616	40,006

6. PROFIT BEFORE TAX

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

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cost of inventories consumed		**509,272**	458,756
Depreciation	14	**126,184**	110,002
Amortisation of intangible assets	15	**1,294**	1,176
Amortisation of other long-term assets		**212**	212
Minimum lease payments under operating leases on buildings		**273,340**	248,504
Auditors' remuneration		**3,089**	2,456
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**354,978**	314,355
Equity-settled share option expense		**3,000**	3,725
Defined contribution pension scheme		**100,726**	88,090
		458,704	406,170
Unrealised loss on an interest rate swap	7	**—**	401
Bank interest income	5	**(1,976)**	(5,363)
Loss on disposal of items of property and equipment		**6,501**	9,996
Gain on disposal of a subsidiary		**—**	(16)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Interest on bank loans wholly repayable within five years	**7,124**	8,917
Less: Interest capitalised	**(1,109)**	(1,647)
	6,015	7,270
Unrealised loss on an interest rate swap	**—**	401
	6,015	7,671

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Fees	**366**	417
Other emoluments:		
Salaries, allowances and benefits in kind	**2,785**	1,987
Equity-settled share-based payment	**1,396**	1,444
Pension scheme contributions	**105**	90
	4,286	3,521
	4,652	3,938

During the year, a director of the Company was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

Mr. Wang Yu, Mr. Wang Chiwei and Mr. Tsang Henry Yuk Wong were appointed as independent non-executive directors in 2011. Mr. Chen Anjie was appointed as an independent non-executive director in 2012 and resigned on 17 January 2014.

The fees paid to independent non-executive directors during the year were as follows:

	2014	2013
	RMB'000	RMB'000
Mr. Wang Yu	**122**	122
Mr. Tsang Henry Yuk Wong	**122**	122
Mr. Chen Anjie	**—**	51
Mr. Wang Chiwei	**122**	122
	366	417

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Equity-settled share-based payment RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2014				
Executive directors:				
Ms. Wang Huimin	—	—	—	—
Ms. Wu Wen	—	—	—	—
Mr. Kang Jie	**2,785**	**1,396**	**105**	**4,286**
	2,785	**1,396**	**105**	**4,286**
Year ended 31 December 2013				
Executive directors:				
Ms. Wang Huimin	—	—	—	—
Ms. Wu Wen	—	—	—	—
Mr. Kang Jie	1,987	1,444	90	3,521
	1,987	1,444	90	3,521

Mr. Kang Jie is also the chief executive of the Group and his remuneration disclosed above includes the remuneration for services rendered by him as the chief executive.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

(c) Non-executive directors

Ms. Wang Huili, Mr. Tang Donald Wei and Mr. Weng Xiangwei were appointed as non-executive directors in 2010. Mr. Wang Hairong was appointed as a non-executive director in 2012. Mr.Tang Donald Wei resigned as a non-executive director on 5 June 2013. There were no fees or other emoluments payable to them during the years ended 31 December 2014 and 2013.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included the chief executive for the years ended 31 December 2014 and 2013, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2013: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**3,440**	3,513
Equity-settled share-based payment	**188**	227
Pension scheme contributions	**404**	392
	4,032	4,132

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December	
	2014	2013
Nil to HK$1,000,000	**1**	—
HK$1,000,001 to HK$1,500,000	**2**	4
HK$1,500,001 to HK$2,000,000	**1**	—
	4	4

During the years ended 31 December 2014 and 2013, share options were granted to the four non-director and non-chief executive, highest paid employees in respect of their services to the Group, further details of which are set out in note 30 to the financial statements. The fair value of these options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the current year is included in the above non-director and non-chief executive, highest paid employees' remuneration disclosures.

10. INCOME TAX

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Group:		
Current - Mainland China charged for the year	**18,368**	28,069
Current - Hong Kong and elsewhere charged for the year	**2,398**	2,700
Deferred tax (note 27)	**(13,681)**	(25,639)
Total tax charge for the year	**7,085**	5,130

Hong Kong profits tax has been provided at the rate of 16.5% (2013:16.5%) 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 ("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%.

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Group and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Profit before tax	**8,117**	5,801
Tax at the statutory tax rate of 25% (2013: 25%)	**2,029**	1,450
Lower tax rates for specific provinces or enacted by local authorities	**(578)**	(26)
Income not subject to tax	**(400)**	(642)
Expenses not deductible for tax	**1,923**	1,057
Tax losses and temporary differences not recognised during the year	**4,111**	3,291
	7,085	5,130

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the years ended 31 December 2014 and 2013 included a loss of RMB540,000 and a gain of RMB4,402,000, respectively, which have been dealt with in the financial statements of the Company (note 31).

12. DIVIDENDS

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interim – Nil (2013: HK$0.008) per ordinary share	**—**	9,400

No interim and final dividend was declared for 2014.

On 22 August 2013, the Company declared an interim dividend for the six months ended 30 June 2013, at HK$0.008 per ordinary share, amounting to a total sum of approximately HK$11,800,000 (approximately equivalent to RMB9,400,000). No final dividend was declared for 2013.

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

The calculation of the basic earnings per share for the year ended 31 December 2014 is based on the consolidated profit attributable to the equity holders of the Company and the weighted average number of ordinary shares of 1,465,593,392 (2013: 1,458,514,307) in issue during the year.

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

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**566**	1,075

	Year ended 31 December	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation*	**1,465,593,392**	1,458,514,307
Effect of dilution – weighted average number of ordinary shares:**		
Share options	—	953,278
Number of ordinary shares used in the diluted earnings per share calculation	**1,465,593,392**	1,459,467,585

* Not taking into account 11,250,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company (Note 30) and treasury share of 3,472,000 shares repurchased by the Company.

** Since the exercise prices of these options exceed the average market price of ordinary shares during the year, these was no dilutive effect as of 31 December 2014.

14. 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
31 December 2014					
At 31 December 2013 and 1 January 2014:					
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	560,702	94,427	1,825	28,552	685,506
Additions	45,750	20,800	114	74,666	141,330
Depreciation provided during the year	(94,814)	(30,921)	(449)	—	(126,184)
Disposals	(9,813)	(5,020)	(11)	—	(14,844)
Transfers	76,044	18,027	—	(94,071)	—
Exchange realignment	157	34	—	—	191
At 31 December 2014, net of accumulated depreciation	578,026	97,347	1,479	9,147	685,999
At 31 December 2014:					
Cost	891,043	200,800	6,455	9,147	1,107,445
Accumulated depreciation and impairment	(313,017)	(103,453)	(4,976)	—	(421,446)
Net carrying amount	578,026	97,347	1,479	9,147	685,999

14. PROPERTY AND EQUIPMENT *(continued)*

Group

	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2013					
At 31 December 2012 and 1 January 2013:					
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	480,998	77,912	1,733	54,163	614,806
Additions	89,219	24,781	611	90,225	204,836
Depreciation provided during the year	(85,724)	(23,759)	(519)	—	(110,002)
Disposals	(20,020)	(2,255)	—	—	(22,275)
Transfers	97,843	17,993	—	(115,836)	—
Exchange realignment	(1,614)	(245)	—	—	(1,859)
At 31 December 2013, net of accumulated depreciation	560,702	94,427	1,825	28,552	685,506
At 31 December 2013:					
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

15. INTANGIBLE ASSETS

Group

	Software RMB'000
31 December 2014	
Cost at 1 January 2014, net of accumulated amortisation	**4,500**
Additions	**1,119**
Amortisation provided during the year	**(1,294)**
At 31 December 2014	**4,325**
At 31 December 2014:	
Cost	**7,847**
Accumulated amortisation	**(3,522)**
Net carrying amount	**4,325**

	Software RMB'000
31 December 2013	
Cost at 1 January 2013, net of accumulated amortisation	4,636
Additions	1,040
Amortisation provided during the year	(1,176)
At 31 December 2013	4,500
At 31 December 2013:	
Cost	6,728
Accumulated amortisation	(2,228)
Net carrying amount	4,500

16. LONG-TERM RENTAL DEPOSITS AND LONG-TERM PAYABLES

The long-term rental deposits represent the rental deposits paid to various landlords with lease terms that will expire more than one year after the end of the reporting period.

The long-term payables mainly represent the long-term portion of accrued rental expenses.

17. INTERESTS IN SUBSIDIARIES

	Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Unlisted shares, at cost	**57,710**	57,512
Due from subsidiaries	**478,397**	485,204
	536,107	542,716

The amounts advanced to the subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as part of the Company's investment in its subsidiaries.

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Paid-up/ registered capital'000	Percentage of equity attributable to the Company	Notes
Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. 上海浦東小南國餐飲有限公司	PRC	RMB5,000	100	(1)
Shanghai Xiao Nan Guo Restaurant Co., Ltd. 上海小南國餐飲有限公司	PRC	RMB30,000	100	(1)
Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd. 上海新區小南國餐飲管理有限公司	PRC	RMB500	100	(1)
Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd. 上海小南國海之源餐飲管理有限公司	PRC	RMB450,000	100	(3)
Shanghai Jing'an Xiao Nan Guo Restaurant Co., Ltd. 上海靜安小南國餐飲有限公司	PRC	RMB2,000	100	(1)
Shanghai Zhonghuan Huimin Restaurant Management Co., Ltd. 上海中環匯珉餐飲管理有限公司	PRC	RMB1,000	100	(1)

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Paid-up/ registered capital'000	Percentage of equity attributable to the Company	Notes
Shanghai Xiao Nan Guo Nutritional Food Co., Ltd. 上海小南國營養餐食品有限公司	PRC	RMB3,000	100	(1)
Shanghai Xuhui Xiao Nan Guo Restaurant Management Co., Ltd. 上海徐匯小南國餐飲管理有限公司	PRC	RMB500	100	(1)
Beijing Xiao Nan Guo Restaurant Management Co., Ltd. 北京小南國餐飲管理有限公司	PRC	RMB2,000	100	(1)
Shanghai Jinshan Xiao Nan Guo Restaurant Co., Ltd. 上海金山小南國餐飲有限公司	PRC	RMB500	100	(1)
Shanghai Jinshan Xiao Nan Guo Restaurant Co., Ltd. 上海金山小南國餐飲有限公司	PRC	RMB500	100	(1)
Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. 上海虹梅小南國餐飲有限公司	PRC	RMB5,000	100	(1)
Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd. 上海長寧小南國餐飲有限公司	PRC	RMB500	100	(1)
Shanghai Hongkou Xiao Nan Guo Restaurant Co., Ltd. 上海虹口小南國餐飲有限公司	PRC	RMB500	100	(1)
Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd. 南京小南國匯珉餐飲有限公司	PRC	RMB500	100	(1)
Suzhou Ligongdi Xiao Nan Guo Restaurant Co., Ltd. 蘇州李公堤小南國餐飲有限公司	PRC	RMB500	100	(1)
Dalian Shidai Xiao Nan Guo Restaurant Co., Ltd. 大連時代小南國餐飲有限公司	PRC	RMB500	100	(1)

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Paid-up/ registered capital'000	Percentage of equity attributable to the Company	Notes
Shanghai Huangpu Xiao Nan Guo Restaurant Management Co., Ltd. 上海黃浦小南國餐飲管理有限公司	PRC	RMB1,000	100	(1)
Ningbo Haishu Xiao Nan Guo Restaurant Management Co., Ltd. 寧波市海曙小南國餐飲管理有限公司	PRC	RMB500	100	(1)
Nanjing Jiangning Xiao Nan Guo Restaurant Co., Ltd. 南京市江寧區小南國餐飲有限公司	PRC	RMB1,000	100	(1)
Shanghai Songjiang Xiao Nan Guo Restaurant Co., Ltd. 上海松江小南國餐飲有限公司	PRC	RMB500	100	(1)
Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd. 上海昕怡小南國餐飲管理有限公司	PRC	RMB500	100	(1)
Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd. 上海寶山小南國餐飲有限公司	PRC	RMB500	100	(1)
Shenzhen Xiao Nan Guo Restaurant Management Co., Ltd. 深圳市小南國餐飲管理有限公司	PRC	RMB5,000	100	(1)
Shanghai Zhabei Xiao Nan Guo Restaurant Management Co., Ltd. 上海閘北小南國餐飲管理有限公司	PRC	RMB500	100	(1)
Tianjin Hui Zhi Nan Restaurant Management Co., Ltd. 天津慧之南餐飲管理有限公司	PRC	RMB500	100	(1)
Wuxi Hui Zhi Nan Restaurant Co., Ltd. 無錫慧之南餐飲有限公司	PRC	RMB500	100	(1)

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Paid-up/ registered capital'000	Percentage of equity attributable to the Company	Notes
Shanghai Huimin Xiao Nan Guo Restaurant Co., Ltd. 上海慧珉小南國餐飲有限公司	PRC	RMB500	100	(1)
Shanghai Putuo Xiao Nan Guo Restaurant Management Co., Ltd. 上海普陀小南國餐飲管理有限公司	PRC	RMB500	100	(1)
Shanghai Xiao Nan Guo King Merit Restaurant Management Co., Ltd. 上海小南國煌智餐飲管理有限公司	PRC	RMB2,000	100	(1)
Shanghai Xiao Nan Guo Zunshi Food Trade Co., Ltd. 上海小南國尊食食品貿易有限公司	PRC	RMB10,000	100	(2)
Shanghai Yiqian International Trade Co., Ltd.[a] 上海益錢國際貿易有限公司	PRC	RMB10,000	100	(9)
Shanghai Xiao Nan Guo Technology and Information Development Co., Ltd.[a] 上海小南國科技信息發展有限公司	PRC	RMB1,000	100	(10)
Shanghai Xiao Nan Guo Huajing Food Science and Technology Development Co., Ltd. 上海小南國華晶食品科技發展有限公司	PRC	RMB8,160	51	(6)
Shanghai Mizhilian Restaurant Management Co., Ltd.[b] 上海米芝蓮餐飲管理有限公司	PRC	RMB200	50	(8)
Shanghai Xiao Nan Guo Oreno Restaurant Management Co., Ltd.[a] 上海俺的小南國餐飲管理有限公司	PRC	RMB7,000	100	(7)
Shanghai Huijie Restaurant Management Co., Ltd.[a] 上海慧捷餐飲管理有限公司	PRC	RMB1,000	51	(7)

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Paid-up/ registered capital'000	Percentage of equity attributable to the Company	Notes
Shanghai Xiao Nan Guo Huangchenggen Restaurant Management Co., Ltd.[a] 上海小南國皇城根餐飲管理有限公司	PRC	RMB10,000	55	(7)
Xiao Nan Guo Management Co., Ltd. 小南國管理有限公司	Hong Kong	HK$0.2	100	(4)
Xiao Nan Guo Management (Kowloon) Limited 小南國管理(九龍)有限公司	Hong Kong	HK$10	100	(4)
Xiao Nan Guo (Causeway Bay) Management Limited 小南國(銅鑼灣)管理有限公司	Hong Kong	HK$300	100	(4)
Xiao Nan Guo (Kowloon Bay) Management Limited 小南國(九龍灣)管理有限公司	Hong Kong	HK$10	100	(4)
Xiao Nan Guo (Shatin) Management Limited 小南國(沙田)管理有限公司	Hong Kong	HK$10	100	(4)
Xiao Nan Guo (One Peking) Management Limited 小南國(北京道)管理有限公司	Hong Kong	HK$0.001	100	(4)
Xiao Nan Guo Holdings Limited 小南國控股有限公司	Hong Kong	HK$330.2	100	(7)
Wisecorp Worldwide Development Limited 協和環球發展有限公司	Hong Kong	HK$5,000	100	(7)
Xiao Nan Guo Holdings Limited	BVI	US$10	100	(7)
Xiao Nan Guo (Hong Kong) Restaurant Group Limited	BVI	US$0.00001	100	(7)
King Merit Corporation Limited 煌智有限公司	Hong Kong	RMB10,000	100	(7)
King Merit (Macau) Limited 煌智(澳門)一人有限公司	Macau	MOP3,500	100	(5)

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

Company name	Place of incorporation/ registration and business	Paid-up/ registered capital'000	Percentage of equity attributable to the Company	Notes
High Ace Enterprises Limited[a]	Hong Kong	US$0.001	100	(7)
Oreno Xiao Nan Guo International (Hong Kong) Limited[a] 俺的小南國國際（香港）有限公司	Hong Kong	HK$2,432	68	(7)
Big Wonder Limited[a]	BVI	US$0.001	100	(7)
Jet Elite Investments Limited[a]	Hong Kong	HK$0.001	51	(7)
Lucky Grip Limited[a]	BVI	US$0.001	100	(7)
Bright Charm Development Limited[a]	BVI	US$0.001	100	(7)
Team Harvest Investment Limited[a]	Hong Kong	HK$0.001	70	(7)
Magic New Investment Limited[a]	Hong Kong	HK$38,000	100	(7)
Roadmap Ventures Limited[a]	BVI	US$0.001	100	(7)
Rosy Lead Limited[a]	BVI	US$0.001	100	(7)
Affluent Harvest Limited	BVI	US$1	100	(7)

Notes of the principal activities

(1) Operation of Chinese restaurant chain stores in Mainland China;

(2) Trading and selling of pre-packaged food in the PRC;

(3) Restaurant management and operation of Chinese restaurant chain stores in Mainland China;

(4) Operation of Chinese restaurant chain stores in Hong Kong;

(5) Operation of Chinese restaurant chain stores in Macau;

(6) Production and selling of micro-freezing liquid and micro-freezing machines, and provision of related services;

(7) Investment holding;

(8) Rendering management service and engaged in franchise operation;

(9) Goods and technology import and export services in Mainland China; and

(10) Rendering IT technology service and sales of software.

17. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows: *(continued)*

a Newly set up during the year of 2014.

b This company is newly set up during the year of 2014 and accounted for as subsidiary of the Group even through the Group has a 50% equity interest in this company based on the judgements explained in Note 3 to the financial statements.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
King Merit Corporation Limited	—	10%
Oreno Xiao Nan Guo International (Hong Kong) Limited	**32%**	—
Shanghai Mizhilian Restaurant Management Co., Ltd.	**50%**	—
Shanghai Xiao Nan Guo Huajing Food Science and Technology Development Co., Ltd.	**49%**	49%

	2014 **RMB'000**	2013 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:		
King Merit Corporation Limited	—	(403)
Oreno Xiao Nan Guo International (Hong Kong) Limited	**(6)**	—
Shanghai Mizhilian Restaurant Management Co., Ltd.	**473**	—
Shanghai Xiao Nan Guo Huajing Food Science and Technology Development Co., Ltd.	**(1)**	(1)
	466	(404)
Accumulated balances of non-controlling interests at the reporting date:		
King Merit Corporation Limited	—	597
Oreno Xiao Nan Guo International (Hong Kong) Limited	**1,923**	—
Shanghai Mizhilian Restaurant Management Co., Ltd.	**573**	—
Shanghai Xiao Nan Guo Huajing Food Science and Technology Development Co., Ltd.	**3,998**	3,999
	6,494	4,596

17. INTERESTS IN SUBSIDIARIES *(continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Oreno Xiao Nan Guo International (Hong Kong) Limited RMB'000	Shanghai Mizhilian Restaurant Management Co., Ltd. RMB'000	Shanghai Xiao Nan Guo Huajing Food Science and Technology Development Co., Ltd. RMB'000
2014			
Revenue	—	**6,172**	—
Total expenses	**(20)**	**(5,226)**	**(2)**
Profit/(loss) for the year	**(20)**	**946**	**(2)**
Total comprehensive income for the year	**(31)**	**946**	**(2)**
Current assets	**8,428**	**5,414**	**8,157**
Non-current assets	**1,462**	**24**	**2**
Current liabilities	**3,893**	**4,292**	—
Cash and cash equivalent	**4,072**	—	—

	King Merit Corporation Limited RMB'000	Shanghai Xiao Nan Guo Huajing Food Science and Technology Development Co., Ltd. RMB'000
2013		
Revenue	11,977	—
Total expenses	(16,005)	(2)
Loss for the year	(4,028)	(2)
Total comprehensive income for the year	(4,112)	(2)
Current assets	8,368	8,163
Non-current assets	1,347	1
Current liabilities	3,827	2
Cash and cash equivalents	6,487	8,163

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Shanghai Pudong Xiao Nan Guo Casual Dining Management Co., Ltd.	**100**	100
Shanghai Huajing Agriculture Biotechnology Co., Ltd.	**10,000**	10,000
Yancheng Guanhua Aquatic Products Co., Ltd.	**10,000**	10,000
	20,100	20,100

The investment in Shanghai Pudong Xiao Nan Guo Casual Dining Management Co., Ltd., Shanghai Huajing Agriculture Biotechnology Co., Ltd., and Yancheng Guanhua Aquatic Products Co., Ltd., represents 10%, 8% and 24.01% ownership interest held by the Group, respectively.

The Company's voting power held and profit sharing arrangement is equal to the ownership interest held for these three equity investments.

The available-for-sale investments were stated at cost less impairment because the investments do not have a quoted market price in an active market and the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

19. INVENTORIES

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Food and beverages, and other operating items for restaurant operations	**45,014**	49,901

20. TRADE RECEIVABLES

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

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

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 1 month	**12,224**	9,968
1 to 2 months	**2,548**	2,322
2 to 3 months	**1,163**	1,247
Over 3 months	**2,133**	2,677
	18,068	16,214

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Deposits and other receivables	**59,108**	40,722
Prepaid expense	**24,852**	24,399
Amounts due from companies owned by the controlling shareholder	**53,923**	63,467
Amount due from a director of major subsidiaries in Hong Kong	**455**	131
Prepayments	**37,355**	22,524
	175,693	151,243

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

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

	Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Deposits and other receivables	**8,457**	1,877

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.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	**31 December 2014 RMB'000**	31 December 2013 RMB'000
Cash and bank balances, unrestricted	**264,501**	320,192	**1,569**	1,788
Time deposits with original maturity of less than three months	**4,804**	4,307	**—**	—
Cash and cash equivalents	**269,305**	324,499	**1,569**	1,788

The cash and bank balances and time deposits of the Group's subsidiaries in Mainland China denominated in RMB amounted to RMB183,126,000 and RMB189,545,000 as at 31 December 2014 and 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.

23. TRADE PAYABLES

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

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Within 3 months	**99,850**	83,329
3 months to 1 year	**1,112**	276
Over 1 year	**1,496**	1,203
	102,458	84,808

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

24. OTHER PAYABLES AND ACCRUALS

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Payroll and welfare payables	**37,910**	33,710
Taxes other than corporate income tax	**9,238**	7,388
Other payables for construction in progress	**50,198**	82,797
Accruals and other payables	**46,165**	37,256
Advances from customers	**6,997**	63,134
	150,508	224,285

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

25. DERIVATIVE FINANCIAL INSTRUMENTS

Group	**2014 Liabilities RMB'000**	2013 Liabilities RMB'000
Interest rate swaps	**—**	401

26. INTEREST-BEARING BANK LOANS

Group

		31 December 2014			31 December 2013		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans – unsecured	(a)	6.60	2015	80,000	6.00	2014	80,000
Bank loans – unsecured	(b)	Hibor+2.50	2015	47,334	Hibor+2.50	2014	47,172
Bank loans – unsecured	(c)	Hibor+2.75	2015	39,445	—	—	—
Bank loans– unsecured*	(d)	Hibor+3.00	2016	29,584	—	—	—
Bank loans – unsecured	(e)	COF+2.50	2015	39,778	—	—	—
Bank loans – unsecured	(f)	—	—	—	Libor+3.14	2014	39,630
Bank loans – unsecured	(f)	—	—	—	Libor+3.14	2014	31,229
Bank loans – unsecured*	(f)	—	—	—	Libor+3.14	2015	5,205
				236,141			203,236
Analysed into:							
Bank loans repayable:							
Within one year or on demand				236,141			203,236

(a) Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd., a wholly-owned subsidiary of the Group and located in Mainland China, entered into two RMB40 million term loan facility agreements with Bank of Communications in September and October 2014, respectively.

(b) Xiao Nan Guo Holdings Limited, a wholly-owned subsidiary of the Group and located in Hong Kong, entered into a HK$60 million revolving loan facility agreement with Hang Seng Bank (Hong Kong) Limited in December 2013, which was guaranteed by the Company.

(c) Xiao Nan Guo Holdings Limited, a wholly-owned subsidiary of the Group and located in Hong Kong, entered into a HK$50 million revolving loan facility agreement with Hang Seng Bank (Hong Kong) Limited in June 2014, which was guaranteed by the Company.

(d) Xiao Nan Guo Holdings Limited, a wholly-owned subsidiary of the Group and located in Hong Kong, entered into a HK$50 million term loan facility agreement with Hang Seng Bank (Hong Kong) Limited in June 2014, which was guaranteed by the Company.

(e) Xiao Nan Guo Holdings Limited, a wholly-owned subsidiary of the Group and located in Hong Kong, entered into a USD$6.5 million short-term money market loan facility agreement with Standard Charted Bank (Hong Kong) Limited in October 2014, which was guaranteed by the Company.

26. INTEREST-BEARING BANK LOANS *(continued)*

Group *(continued)*

(f) Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd., a wholly-owned subsidiary of the Group and located in Mainland China, entered into an agreement with Standard Chartered Bank (Hong Kong) Limited, the lender, in February 2013 for:

– a 12-month revolving credit facility of up to US$6.5 million; and

– a 24-month term loan of US$19 million.

* Included in current liabilities as the bank has an overriding right to call for cash cover on demand at any time without further reference to the Group and to demand settlement of any balance owing by the Group to the bank.

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

31 December 2014

	Tax depreciation allowance in excess of accounting depreciation RMB'000	Capitalised expenses in decoration period RMB'000	Total RMB'000
At 1 January 2014	157	559	716
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	275	(214)	61
Gross deferred tax liabilities at 31 December 2014	432	345	777

27. DEFERRED TAX

Deferred tax assets

Group

31 December 2014

	Impairment of fixed assets RMB'000	Accounting depreciation in excess of tax depreciation allowance RMB'000	Deferred lease rental RMB'000	Accrued expenses RMB'000	Loss available for offsetting against future taxable profits RMB'000	Fair value change of derivative financial instruments RMB'000	Total RMB'000
At 1 January 2014	60	4,143	5,688	14,355	34,523	100	58,869
Deferred tax credited/(charged) to the statement of profit or loss (note 10)	—	2,547	1,753	3,018	6,524	(100)	13,742
Gross deferred tax assets at 31 December 2014	60	6,690	7,441	17,373	41,047	—	72,611

Deferred tax liabilities

Group

31 December 2013

	Tax depreciation allowance in excess of accounting depreciation RMB'000	Capitalised expenses in decoration period RMB'000	Total RMB'000
At 1 January 2013	396	963	1,359
Deferred tax credited to the statement of profit or loss during the year (note 10)	(239)	(404)	(643)
Gross deferred tax liabilities at 31 December 2013	157	559	716

27. DEFERRED TAX *(continued)*

Deferred tax assets

Group

31 December 2013

	Impairment of fixed assets RMB'000	Accounting depreciation in excess of tax depreciation allowance RMB'000	Deferred lease rental RMB'000	Accrued expenses RMB'000	Loss available for offsetting against future taxable profits RMB'000	Fair value change of derivative financial instruments RMB'000	Total RMB'000
At 1 January 2013	83	2,364	5,392	11,244	14,790	—	33,873
Deferred tax (charged)/credited to the statement of profit or loss (note 10)	(23)	1,779	296	3,111	19,733	100	24,996
Gross deferred tax assets at 31 December 2013	60	4,143	5,688	14,355	34,523	100	58,869

As at 31 December 2014, the Group had accumulated tax losses arising in Mainland China of RMB23,719,000 (2013: RMB13,164,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

27. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB228,520,000 and RMB241,690,000 at 31 December 2014 and 2013, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the state regulations of the PRC, the subsidiaries in Mainland China participate in a defined contribution pension scheme. All employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of the geographical area of their last employment at their retirement date. The subsidiaries are required to make contributions to the local social security bureau at 13% to 21% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the subsidiaries in Mainland China.

In compliance with the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), the subsidiaries in Hong Kong have participated in a MPF scheme, which is a defined contribution scheme managed by an independent trustee, to provide retirement benefits to their Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The Group has no obligation for the payment of pension benefits beyond the annual contributions as set out above.

29. SHARE CAPITAL

Shares

	31 December 2014	31 December 2013
Authorised:		
Ordinary shares (of HK$0.01 each)	**10,000,000,000**	10,000,000,000
Issued and fully paid:		
Ordinary shares (of HK$0.01 each)	**1,478,826,000**	1,476,880,000
Equivalent to RMB'000	**12,062**	12,047

A summary of transactions during the year with reference to the above movement in the Company's issued share capital is as follows:

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares HK$'000	Share premium HK$'000	Equivalent nominal value of ordinary shares RMB'000	Equivalent share premium RMB'000
Balance as					
At 1 January 2013	1,475,000,000	14,750	589,328	12,032	477,424
Share options exercised (note (a))	1,880,000	19	2,350	15	2,067
Interim 2013 dividend	—	—	(7,770)	—	(6,190)
At 31 December 2013	1,476,880,000	14,769	583,908	12,047	473,301
Share options exercised (note (a))	1,946,000	19	2,844	15	2,237
At 31 December 2014	**1,478,826,000**	**14,788**	**586,752**	**12,062**	**475,538**

Notes:

(a) Details of the Company's share option schemes and the share options issued under the schemes are included in note 30 to the financial statements.

(b) The Company repurchased 3,472,000 shares of its stock on the Stock Exchange for an aggregate consideration of HK$3,436,000 (equivalent to RMB2,711,000). These shares were held by the Company as a treasury share of the Company, and were cancelled on 7 January 2015.

30. SHARE-BASED PAYMENTS

(1) Pre-IPO Share Option Schemes

Two 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, 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 years ended 31 December 2014 and 2013:

	Year ended 31 December 2014	
	Weighted average exercise price per share RMB	**Number of options '000**
At 1 January 2014		**61,755**
Forfeited during the year	**1.111**	**(14,761)**
Exercised during the year	**1.090**	**(1,946)**
At 31 December 2014		**45,048**

	Year ended 31 December 2013	
	Weighted average exercise price per share RMB	Number of options '000
At 1 January 2013		90,252
Forfeited during the year	1.098	(26,617)
Exercised during the year	1.050	(1,880)
At 31 December 2013		61,755

The weighted average share price at the date of exercise for share options under the Pre-IPO Schemes exercised during the year was RMB1.243 per share (2013: RMB1.226 per share).

30. SHARE-BASED PAYMENTS *(continued)*

(1) Pre-IPO Share Option Schemes *(continued)*

The exercise prices and exercise periods of the share options under the Pre-IPO Scheme outstanding as at 31 December 2014 are as follows:

Number of options '000	Exercise price RMB per share	Exercise period
12,107	1	1 January 2012 to 11 February 2020
330	1	1 January 2012 to 21 June 2020
2,540	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
4,047	1.1	1 January 2012 to 22 March 2021
7,768	1.1	1 January 2012 to 22 March 2021
2,508	1.1	1 July 2012 to 1 July 2021
500	1.1	1 July 2012 to 1 July 2021
3,620	1.1	1 July 2012 to 12 August 2021
1,373	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
1,346	1.175	1 July 2013 to 15 May 2022
45,048		

There was no share options granted under Pre-IPO Share Scheme after 4 July 2012, the Company's listing date. The Group recognised a share option expense of RMB858,000 under the Pre-IPO Share Scheme during the year ended 31 December 2014 (31 December 2013: RMB2,485,000).

30. SHARE-BASED PAYMENTS *(continued)*

(1) Pre-IPO Share Option Schemes *(continued)*

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

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012
Dividend yield (%)	2.50%	2.50%	2.50%
Expected volatility (%)	41.8%-47.4%	38.9%-43.8%	37.92%-38.28%
Risk-free interest rate (%)	1.92%-2.94%	2.82%-4.09%	3.35%-3.40%
Maturity date	11 February 2020- 15 December 2020	26 January 2021- 12 August 2021	15 January 2022- 15 May 2022
Weighted average exercise price (RMB per share)	1.012	1.106	1.175

The 1,946,000 share options exercised during the year resulted in the issue of 1,946,000 ordinary shares of the Company and new share capital of approximately HK$19,000 and share premium of approximately HK$2,844,000, as further detailed in note 29 to the financial statements.

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 will 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 ended 31 December 2014, 10,000,000 shares will be transferred to the director in four equal instalments by 1 July 2012, 2013, 2014 and 2015, respectively. Subsequently, 1,250,000 shares have been repurchased and cancelled by the Company in June 2012, pursuant to the resolution of the board of directors of the Company. During the year ended 31 December 2013 and 31 December 2014, 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, respectively.

The incremental fair value of the replacement share-based payment arrangement for the director is recognised as share option expenses over the vesting period. As at 31 December 2014, 12,500,000 Compensation Shares have been transferred to the director.

30. 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 the Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 147,500,000, being 10% of the total number of the Shares in issue at the time when dealings of the Shares first commence on the Stock Exchange.

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

The following share options were outstanding under the Share Option Scheme during the year ended 31 December 2014 and 2013:

	Year ended 31 December 2014	
	Weighted average exercise price per share HK$	**Number of options '000**
At 1 January 2014		**31,085**
Granted during the year	**1.395**	**25,440**
Forfeited during the year	**1.421**	**(9,001)**
At 31 December 2014		**47,524**

	Year ended 31 December 2013	
	Weighted average exercise price per share HK$	Number of options '000
At 1 January 2013		—
Granted during the year	1.48	32,518
Forfeited during the year	1.50	(1,433)
At 31 December 2013		31,085

No share options under the Share Option Scheme were exercised during the years ended 31 December 2014 and 2013.

The exercise period of the share options granted commences after a vesting period of four years and ends on a date which is 10 years from the date of offer of the share options or the expiry dates of the Share Option Scheme, if earlier.

30. SHARE-BASED PAYMENTS *(continued)*

(2) Share Option Scheme *(continued)*

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 31 December 2014 are as follows:

Number of options '000	Exercise price HK$ per share	Exercise period
750	1.3	12 April 2013 to 11 April 2023
23,635	1.5	23 August 2013 to 22 August 2023
11,130	1.5	1 July 2015 to 29 June 2024
12,009	1.3	1 July 2015 to 29 June 2024
47,524		

The Group recognised a share option expense of RMB2,142,000 (2013: RMB1,240,000) during the year ended 31 December 2014.

The fair value of all equity-settled share options under the Share Option Scheme granted during the year ended 31 December 2014 was estimated as at the date of grant using a binomial model, taking into account the following:

	Year ended 31 December 2013	**Year ended 31 December 2014**
Dividend yield (%)	1.92%-2.28%	**0.71%**
Expected volatility (%)	32.8%	**37.16%**
Risk-free interest rate (%)	0.98%-2.49%	**2.00%**
Maturity date	11 April 2023- 22 August 2023	**29 June 2024**
Weighted average exercise price (HK$ per share)	1.48	**1.39**

As at 31 December 2014, the Company had 45,048,000 and 47,524,000 share options outstanding under the Pre-IPO Schemes and the Share Option Scheme, respectively. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 92,572,000 additional ordinary shares of the Company and additional share capital of RMB730,300 and share premium of RMB102,258,000 (before issue expenses).

Subsequently, the Company has granted 22,750,509 and 500,000 share options on 1 January 2015 and 30 January 2015, respectively. At the date of approval of these financial statements, the Company had totally 115,822,741 share options outstanding under the Pre-IPO Schemes and the Share Option Scheme, which represented approximately 7.8% of the Company's shares in issue as at that date.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(i) Share premium

Share premium account represents the amount paid by shareholders for capital injection in excess of its nominal value.

(ii) Merger reserve

Merger reserve represents the excess of the nominal value of the paid-in capital of the subsidiaries acquired pursuant to the Reorganisation over the carrying amount of the investments in these subsidiaries.

(iii) Capital reserve

The Group's capital reserve mainly represents the fair value of the equity interest in Xiao Nan Guo Holdings Limited transferred to the Company from its holding company with no consideration as part of the Reorganisation and the additional contribution made by the shareholders of the Company's subsidiaries and, in the case of acquisition of an additional non-controlling interest of a subsidiary, the difference between the cost of acquisition and the book value of the non-controlling interest acquired.

(iv) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the Group companies, companies that are domiciled in the PRC are required to allocate 10% of their profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

Statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the financial statements.

(vi) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

31. RESERVES *(continued)*

(b) Company

	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2014	**473,301**	**—**	**59,312**	**11,725**	**(11,196)**	**1,192**	**534,334**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**683**	**(540)**	**143**
Issue of shares	**2,237**	**—**	**—**	**(221)**	**—**	**—**	**2,016**
Repurchase of shares	**—**	**(2,711)**	**—**	**—**	**—**	**—**	**(2,711)**
Equity-settled share option arrangements	**—**	**—**	**—**	**3,000**	**—**	**—**	**3,000**
At 31 December 2014	**475,538**	**(2,711)**	**59,312**	**14,504**	**(10,513)**	**652**	**536,782**
At 1 January 2013	477,424	—	59,312	8,205	(3,316)	—	541,625
Total comprehensive income for the year	—	—	—	—	(7,880)	4,402	(3,478)
Issue of shares	2,067	—	—	(205)	—	—	1,862
Equity-settled share option arrangements	—	—	—	3,725	—	—	3,725
Interim dividend	(6,190)	—	—	—	—	(3,210)	(9,400)
At 31 December 2013	473,301	—	59,312	11,725	(11,196)	1,192	534,334

32. DISPOSAL OF A SUBSIDIARY

	Note	2014 RMB'000	2013 RMB'000
Net assets disposed of:			
Property and equipment		—	7
Prepayments and other receivables		—	977
		—	984
Gain on disposal of a subsidiary	5	—	16
Satisfied by:			
Cash		—	1,000

On 8 December 2013, the Group disposed Shanghai Yimin Commercial Development Co., Ltd., an indirectly wholly-owned subsidiary of the Company, to a company controlled by two key management staffs of the Group. Shanghai Yimin Commercial Development Co., Ltd. was set up on 1 November 2011 and planned to be a trading company engaged in sales of value-added products in Mainland China, while it still has not started its operation. Total consideration was RMB1,000,000 which was equal to the paid-in capital of Shanghai Yimin Commercial Development Co., Ltd..

33. 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 the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Within one year	**247,237**	244,530
In the second to fifth years, inclusive	**694,581**	814,450
After five years	**283,368**	410,458
	1,225,186	1,469,438

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33, the Group had the following capital commitments at the end of the reporting period:

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Contracted, but not provided for:		
Leasehold improvements	**247,450**	51,381

35. 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 year:

	Notes	Year ended 31 December	
		2014	2013
		RMB'000	RMB'000
Fee income from provision of food processing service	(i)	**479**	538
Management fee income	(ii)	**8,036**	3,000
Property rental expense	(iii)	**1,200**	2,971
Purchases of goods and service	(iv)	**40,273**	41,870
Sales of goods and service	(v)	**24,872**	25,548
Actual spending of pre-paid cards	(vi)	**132,779**	—
Commission paid for pre-paid cards	(vi)	**1,418**	—
Transfer of old pre-paid cards	(vii)	**45,716**	—

Notes:

(i) The Group made purchases on behalf of certain related companies and charged a processing fee based on a pre-determined flat rate mutually agreed by both parties.

(ii) The Group entered into integrated management service agreements with Xiao Nan Guo (Group) Co., Ltd., a company owned by the Controlling Shareholder, pursuant to which the Group has agreed to provide integrated management services to Xiao Nan Guo (Group) Co., Ltd. for the period commencing from 1 July 2010 to 31 December 2014 for a monthly service fee of RMB250,000.

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 charged during the period ended 31 December 2014 was RMB5,036,000 (31December 2013: Nil).

(iii) Shanghai HongqiaoXiao Nan Guo Restaurant Management Co., Ltd. ("Hongqiao XNG"), a company owned by the Controlling Shareholder, leases restaurant premises to the Group for 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 year ended 31 December 2014, no rental was charged by Hongqiao XNG pursuant to a supplemental agreement signed in 2014 (2013: Nil).

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 year ended 31 December 2014, no service fee was charged by Hongqiao XNG pursuant to a supplemental agreement signed in 2014 (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, for a rental fee of RMB2.7 million and with 2% growth each year. During the year ended 31 December 2014, the rental fee decreased to RMB1.2 million charged by Xiao Nan Guo (Group) Co., Ltd. pursuant to a supplemental agreement signed in 2014 (2013: RMB2,971,000).

35. 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 year: *(continued)*

Notes: *(continued)*

(iii) 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, for a rental fee based on 17% of the gross revenue of the restaurant. During the year ended 31 December 2014, no rental was charged by Xiao Nan Guo (Group) Co., Ltd. pursuant to a supplemental agreement signed in 2014 (2013: Nil).

(iv) The Group entered into a purchase agreement with WHM Japan Co., Ltd. for a term of three years commencing from 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 in 2014 (2013:Nil).

The Group entered into a hotel coupon purchase agreement with WH Ming Hotel, a hotel owned by the Controlling Shareholder, for a term of one year (the "Coupon Purchase Agreement") in 2013. Pursuant to the Coupon Purchase Agreement, the Group agreed to purchase hotel coupons at an agreed price which would enable the Group to attain a gross margin rate of no lower than 25% of its selling price. The transaction conducted in 2013 amounted to RMB44,000

In 2014, the Coupon Purchase Agreement has been revised with a term of three years. Pursuant to the revised Coupon Purchase Agreement, the Group agreed to purchase hotel coupons at a discounted price. There was no transaction conducted in 2014.

(v) The Group provided banquet food to WH Ming Hotel, a hotel owned by the Controlling Shareholder, upon request for banquet arrangements at the Hotel premises for the customers of WH Ming Hotel. The price of banquet food sold to WH Ming Hotel shall be decided by the Group, and shall not be lower than 75% of the selling price of the food in the menu of the Group. The income generated from banquet food provided to WH Ming Hotel amounted to RMB23,872,000 during the year ended 31 December 2014 (2013: RMB24,398,000).

The Group sold gift boxes to WH Ming Hotel amounting to RMB317,000 based on market price (2013: Nil).

The Group sold gift boxes to Xiao Nan Guo (Group) Co., Ltd. amounting to RMB683,000 based on market price (2013: RMB1,150,000).

(vi) The Group entered into a Pre-paid Cards Agreement in 2014 with Shanghai Xiao Nan Guo Enterprise Service Information Development Limited ("XNG Information Development"), a company indirectly owned by Ms. Wang Bai Xuan Tiffany, the daughter of the Controlling Shareholder of the Company. Pursuant to the agreement, the pre-paid cards issued by XNG Information Development according to the Agreement (the "Prepaid Cards) can be used at the Shanghai Min Restaurants, the WH Ming Hotel as well as other businesses operated by the Controlling Shareholder. The actual spending is the amount which the Pre-paid Card holders have actually spent at the Shanghai Min Restaurants via the Pre-paid Cards, which amounted to RMB132,779,000 in 2014. The commission rate payable to XNG Information Development shall be 1% of the actual dining expenses, which amounted to RMB1,418,000 in 2014, of a Pre-paid Card holder for every bill (before discount (if any)) at the Shanghai Min Restaurants.

35. 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 year: *(continued)*

Notes: *(continued)*

(vii) The Group entered into an Old Pre-paid Cards Agreement in 2014 with XNG Information Development and the Controlling Shareholder of the Company. Pursuant to the agreement, the unspent valid balance of Old Pre-paid Cards of the Group for approximately RMB45.7 million as of 31 December 2014 was transferred to XNG Information Development. As a consideration for the assignment of the liability, the Group agreed to offset the other receivables from the companies owned by the Controlling Shareholder.

(b) Other transaction with related party

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 trademark for no consideration.

(c) Outstanding balances with related parties

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

(d) Compensation of key management personnel of the Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	**6,734**	6,177
Equity-settled share-based payment	**1,584**	1,726
Total compensation paid to key management personnel	**8,318**	7,903

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions with companies owned by the Controlling Shareholder except the transaction disclosed in notes 35(a)(vii) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. 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 - 31 December 2014

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	20,100	20,100
Long-term rental deposits	66,234	—	66,234
Trade receivables	18,068	—	18,068
Financial assets included in prepayments, deposits and other receivables	89,901	—	89,901
Cash and cash equivalents	269,305	—	269,305
	443,508	20,100	463,608

Group - 31 December 2014

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term payables	61,887
Trade payables	102,458
Financial liabilities included in other payables and accruals	115,482
Interest-bearing bank loans	236,141
	515,968

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Group - 31 December 2013

Financial assets

	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	—	20,100	20,100
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	20,100	499,873

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

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company - 31 December 2014

Financial assets

	Loans and receivables RMB'000
Due from subsidiaries	478,397
Deposit and other receivables	8,457
Cash and cash equivalents	1,569
	488,423

Company - 31 December 2013

Financial assets

	Loans and receivables RMB'000
Due from subsidiaries	485,204
Deposit and other receivables	1,877
Cash and cash equivalents	1,788
	488,869

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

None of the Group's sales or purchases for the year ended 31 December 2014 (2013: Nil) is denominated in currencies other than the functional currency of the relevant subsidiaries. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's loans when they are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the U.S. dollar exchange rate with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in U.S. dollar rate %	Increase/ (decrease) in profit before tax RMB'000
2014		
If RMB strengthens against US$	(5)	1,722
If RMB weakens against US$	5	(1,722)

Currently,the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. Payments for imported materials or services and remittance of earnings outside of the PRC are subject to the availability of foreign currencies which depends on the foreign currency denominated earnings of the enterprises, or must be arranged through the People's Bank of China or other authorised financial institutions. Approval for exchanges at the People's Bank of China or other authorised financial institutions is granted to enterprises in the PRC for valid reasons such as purchases of imported materials and remittance of earnings. While conversion of RMB to Hong Kong dollars or other foreign currencies can generally be effected at the People's Bank of China or other authorised financial institutions, there is no guarantee that it can be effected at all times.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk *(continued)*

The Group's earnings are affected by changes in interest rates due to the impact of such changes on interest income and expenses from interest-bearing financial assets and liabilities. The Group's interest-bearing financial assets and liabilities comprised primarily of cash at banks and interest-bearing bank borrowings. Management closely monitors the interest rate exposure and assesses its impact on the Group's performance.

The Group does not have material exposure to interest rate risk as the Group does not have long-term debt obligations with a floating interest rate as at 31 December 2014.

Credit risk

The Group trades with a large number of diversified customers and trading terms are mainly on cash and credit card settlement, and hence, there is no significant concentration of credit risk.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables, deposits and prepayments and long-term rental deposits included in the consolidated financial statements arise from default of counter party with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2014 and 2013, all bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. As at 31 December 2014 and 2013, the Group had bank loans of RMB236,141,000 and RMB203,236,000, respectively. All of the borrowings would be mature or repaid on demand in less than one year as at 31 December 2014 and 2013 based on the carrying value of borrowings reflected in the financial statements. The directors review the Group's working capital and capital expenditure requirements and consider the liquidity risk is manageable.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

***Liquidity risk** (continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

31 December 2014

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	—	7,964	226,304	9,972	244,240
Trade payables	2,608	99,850	—	—	102,458
Financial liabilities included in other payables and accruals	115,482	—	—	—	115,482
Long-term payables	—	—	—	61,887	61,887
	118,090	107,814	226,304	71,859	524,067

31 December 2013

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	5224	49,415	153,716	—	208,355
Trade payables	1,479	83,329	—	—	84,808
Financial liabilities included in other payables and accruals	135,374	—	—	—	135,374
Derivate financial instruments	—	204	197	—	401
Long-term payables	—	—	—	51,345	51,345
	142,077	132,948	153,913	51,345	480,283

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the reporting periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of each of the reporting periods were as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Interest-bearing bank loans	**236,141**	203,236
Trade payables	**102,458**	84,808
Other payables and accruals	**150,508**	224,285
Less: Cash and cash equivalents	**(269,305)**	(324,499)
Net debt	**219,802**	187,830
Equity attributable to owners of the Company	**782,160**	778,676
Capital and net debt	**1,001,962**	966,506
Gearing ratio	**21.9%**	19.4%

39. CONTINGENT LIABILITIES

As at 31 December 2014, neither the Group nor the Company had any significant contingent liabilities (31 December 2013: Nil).

40. EVENTS AFTER THE REPORTING PERIOD

On 26 November 2014, the Group entered into the Share Purchase Agreement with Pokka Corporation (Singapore) Pte. Ltd. for the acquisition of Pokka Corporation (HK) Limited and its subsidiary Pokka Coffee (Macau) Ltd., for a total purchase price of approximately HK$300,000,000. For the details of the acquisition transaction, the Group has announced the circular of this very substantial transaction on 27 November 2014. The transaction has been subsequently completed on 7 January 2015.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2015.

Five Years Financial Summary

RMB'000	2010	2011	2012	2013	2014
Revenue	872,477	1,088,582	1,332,298	1,385,911	**1,544,199**
Cost of sales	(297,325)	(361,342)	(424,536)	(458,756)	**(509,272)**
Gross profit	575,152	727,240	907,762	927,155	**1,034,927**
Other income	23,109	30,086	45,966	40,006	**46,616**
Selling and distribution costs	(401,148)	(525,135)	(689,186)	(829,998)	**(931,853)**
Administrative expenses	(67,255)	(85,252)	(106,006)	(113,005)	**(127,812)**
Other expenses	(386)	(2,364)	(397)	(10,686)	**(7,746)**
Finance costs	(3,446)	(3,287)	(6,125)	(7,671)	**(6,015)**
PROFIT BEFORE TAX	126,026	141,288	152,014	5,801	**8,117**
Income tax expense	(29,940)	(34,269)	(33,484)	(5,130)	**(7,085)**
PROFIT FOR THE YEAR FROM THE CONTINUING BUSINESS	96,086	107,019	118,530	671	**1,032**
Profit from non-continuing business	386	–	–	–	**–**
Profit for the Year	96,472	107,019	118,530	671	**1,032**
Attributable to:					
Owners of the Company	96,472	107,019	118,530	1,075	**566**
Non-controlling interests	–	–	–	(404)	**466**
Total non-current assets	302,176	566,453	704,386	824,319	**849,426**
Total current assets	321,759	510,104	614,033	541,857	**508,080**
Total current liabilities	485,305	650,001	458,134	530,843	**506,188**
Total assets net of current liabilities	138,630	426,556	860,285	835,333	**851,318**
Total non-current liabilities	18,780	72,296	40,018	52,061	**62,664**
Net assets	119,850	354,260	820,267	783,272	**788,654**