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Tan'Sh
Global Food Group Co., Limited

2017 ANNUAL REPORT

國 際 天 食 集 團 有 限 公 司

TANSH Global Food Group Co., Ltd

Incorporated in the Cayman Islands with limited liability

Stock Code: 3666

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上海 小南国 SHANGHAI MIN

MAISON DE L'HUI 慧公馆

南小館 the dining room

香港米芝蓮 HK Mai Chi Ling

DOUTOR

俺の ORENO DINING BAR FRENCH + ITALIAN

WOLFGANG PUCK

とん吉 TONKICHI TONKATSU SEAFOOD

POKKA CAFÉ

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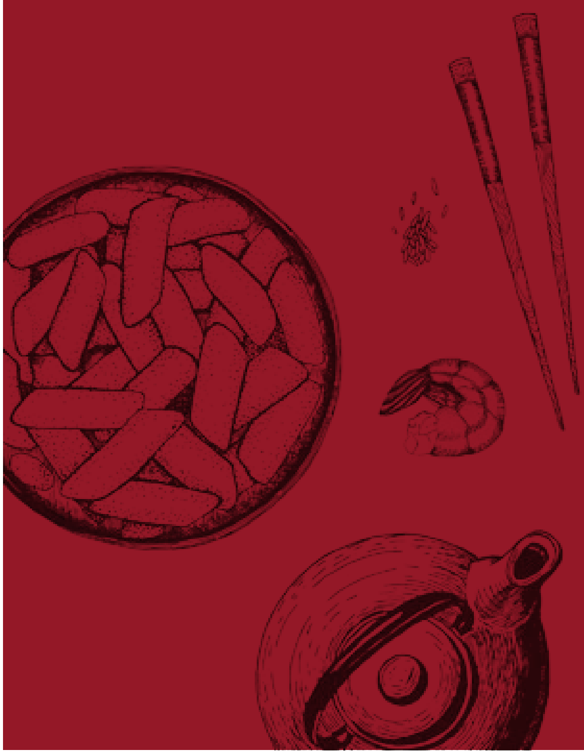

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Huimin *(Chairlady & Chief Executive Officer)*
Ms. Zhu Xiaoxia

Non-executive Directors

Ms. Wang Huili
Mr. Weng Xiangwei
Ms. Wu Wen[1]

Independent Non-executive Directors

Dr. Wu Chun Wah
Mr. Lui Wai Ming
Mr. LIN Lijun

COMPANY SECRETARY

Ms. Mok Ming Wai

AUTHORIZED REPRESENTATIVES

Ms. Wang Huimin
Ms. Zhu Xiaoxia

AUDIT COMMITTEE

Mr. Lui Wai Ming *(Chairman)*
Mr. Weng Xiangwei
Dr. Wu Chun Wah
Mr. LIN Lijun

REMUNERATION COMMITTEE

Dr. Wu Chun Wah *(Chairman)*
Ms. Wang Huimin
Mr. Lui Wai Ming
Mr. LIN Lijun

NOMINATION COMMITTEE

Ms. Wang Huimin *(Chairlady)*
Mr. Lui Wai Ming
Dr. Wu Chun Wah
Mr. LIN Lijun

RISK MANAGEMENT COMMITTEE

Ms. Wang Huimin *(Chairlady)*
Ms. Zhu Xiaoxia
Dr. Wu Chun Wah

EXECUTIVE COMMITTEE

Ms. Wang Huimin *(Chairlady)*
Ms. Zhu Xiaoxia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 5th Floor, Paramount Building,
12 Ka Yip Street,
Chai Wan, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

4F Building A8, No.75, Lane 1688,
North Guoquan 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

Conyers 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

1 Ms. Wu Wen has been re-designated from an executive Director to a non-executive Director on 15 March 2018.

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.tanshglobal.com

INVESTOR RELATIONS

Ms. Jiang Shurong
Email: ir@tanshglobal.com

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2017	2016	increase/(decrease)
Revenue (RMB'000)	**1,911,974**	2,001,001	(4.4%)
Gross profit[1] (RMB'000)	**1,395,314**	1,433,929	(2.7%)
Gross margin[2]	**73.0%**	71.7%	1.3%
Profit for the year (RMB'000)	**101,938**	34,246	197.7%
Net profit margin[3]	**5.3%**	1.7%	3.6%
Earnings Per Share – Basic (RMB cents)	**4.6**	2.0	130.0%
Total Assets (RMB'000)	**1,622,801**	1,785,785	(9.1%)
Net Assets (RMB'000)	**900,405**	962,442	(6.4%)
Cash and Cash Equivalents (RMB'000)	**305,224**	233,390	30.8%
Net Cash[4] (RMB'000)	**(108,278)**	(108,425)	(0.1%)
Account Receivables Turnover Days[5] (days)	**5.1**	4.8	6.3%
Accounts Payable Turnover Days[6] (days)	**41.2**	59.5	(30.8%)
Inventory Turnover Days[7] (days)	**25.3**	29.5	(14.2%)
Cash Cycle[8] (days)	**(10.8)**	(25.2)	(57.1%)
Gearing Ratio[9]	**25.4%**	33.7%	(8.3%)
Return on Equity[10]	**10.9%**	4.0%	6.9%
Return on net Asset[11]	**6.0%**	2.1%	3.9%
Number of restaurants[12] (as at 31 December)	**121**	127	(4.7%)

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 The number of restaurants as at 31 December 2017 included the 23 stores of Million Rank (HK) Limited ("**Million Rank (HK)**") and excluded Mai Chi Ling licenced stores.

The board (the "**Board**") of Directors (the "**Director(s)**") of the TANSH Global Food Group Co., Ltd (formerly known as "Xiao Nan Guo Restaurants Holdings Limited") (the "**Company**") is pleased to present its report and the audited financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017.

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 office of Conyers 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 (the "**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 restaurant chain stores in Mainland China, Hong Kong and other regions. There were no significant changes in the nature of the Group's principal activities during the year. Particulars of the companies comprising the Group at present are set out in Note 1 to the financial statements.

RESULTS AND DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.01 per share (approximately HK$0.012 per share) for the year ended 31 December 2017, paid out of the Company's share premium account, and is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting ("**AGM**"), which will be held on 29 June 2018. The 2017 final dividend will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the middle rate of exchange between RMB and HKD as quoted by The People's Bank of China in the previous week before the date of the final dividend declaration.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements of the shareholders to attend the AGM to be held on 29 June 2018, the register of members of the Company will be closed from 26 June 2018 to 29 June 2018, both days inclusive, during which no transfer of shares will be registered. In order to be eligible to attend the AGM, all share transfers, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's share registrar in Hong Kong (the "**Hong Kong Share Registrar**"), 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 25 June 2018.

If the proposal of 2017 final dividend is approved by shareholders at the forthcoming AGM, the register of members of the Company will be closed from 6 July 2018 to 10 July 2018, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed 2017 final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration before 4:30 p.m. on 5 July 2018. The 2017 final dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on or about 19 July 2018 to those shareholders whose names appear on the register of members of the Company on 10 July 2018.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, none of the Group's sales to the 5 largest customers amounted to 30% or more of the Group's revenue. In 2017, total purchases attributed to the 5 largest suppliers and the largest supplier of the Group were approximately 37.4% and 14.8% of the total purchases respectively.

During the year, other than Ms. Zhu Xiaoxia who indirectly holds 17.07% interests in the second largest supplier Shanghai Zhongmin Supply Chain Management Co., Ltd. (approximately 10.9% of the total purchases) and Ms. Wang Huimin who indirectly holds 10.37% interests in the second largest supplier Shanghai Zhongmin Supply Chain Management Co., Ltd. (approximately 10.9% of the total purchases), 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 the Group's 5 largest suppliers or customers.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements of the Company's share capital and share options are set out in Notes 28 and 29 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 were 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 Schemes 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; and

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

  (1) 25% shall vest if the Company's net profit for the year 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 Schemes is exercisable within 10 years from the date on which such option becomes vested. For details of the share options, please refer to Note 29 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. 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 RMB0.99, RMB1.09 or RMB1.17 by the grantee taking into consideration of the exercise price adjustment of the options upon the Rights Issue (RMB1 or RMB1.1 or RMB1.175 of the exercise price before the Right Issue).

From 1 January 2017 to 31 December 2017, no share options granted under the Pre-IPO Share Option Schemes have been exercised or cancelled, 1,999,620 share options granted under the Pre-IPO Share Option Schemes have been lapsed. As of 31 December 2017, 19,808,208 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 at 31 December 2017 is as follows:

Name of the grantee	No. of share options outstanding as at 1 January 2017	No. of share options granted during the year ended 31 December 2017	No. of share options exercised during the year ended 31 December 2017	No. of share options cancelled during the year ended 31 December 2017	No. of share options lapsed during the year ended 31 December 2017	No. of share options outstanding as at 31 December 2017
Employees (in aggregate)	21,807,828	–	–	–	1,999,620	19,808,208

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted under the Pre-IPO Share Option Schemes that were still outstanding as at 31 December2017 are set out below:

Participants	Date of grant of Option	Exercise Period of Option	Exercise Price of Option RMB per share	No. of outstanding option as at the Latest Practicable Date
Employees	11 February 2010	1 January 2012 to 11 February 2020	1	7,333,200
	21 June 2010	1 January 2012 to 21 June 2020	1	181,440
	1 September 2010	1 January 2012 to 1 September 2020	1	1,043,280
	15 December 2010	1 January 2012 to 15 December 2020	1.1	1,014,048
	26 January 2011	1 January 2012 to 26 January 2021	1.1	5,544
	28 February 2011	1 January 2012 to 22 March 2021	1.1	1,314,432
	22 March 2011	1 January 2012 to 22 March 2021	1.1	1,055,880
	1 July 2012	1 July 2012 to 1 July 2021	1.1	942,480
	1 July 2012	1 July 2012 to 1 July 2021	1.1	63,000
	12 August 2011	1 July 2012 to 12 August 2021	1.1	2,832,480
	12 August 2011	1 July 2012 to 12 August 2021	1.1	375,480
	15 January 2012	1 January 2013 to 15 January 2022	1.175	1,184,400
	15 May 2012	1 January 2013 to 15 May 2022	1.175	2,462,544
Total				19,808,208

Note: Affected by the Right Issue in July 2016, the details of exercise price of the options under the Pre-IPO Share Option Schemes after adjustment upon the Right Issue of the Company are set out on page 124 of this report.

(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 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 commenced 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 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 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. Save for the grant of the aggregate number of 85,000,000 share options to subscribe for ordinary shares of HK$0.01 each of the Company after the payment of the nominal value to the eligible employees and Directors (Ms. Wang Huimin, Ms. Zhu Xiaoxia, Dr. Wu Chun Wah, Mr. Lin Lijun and Mr. Lui Wai Ming) of the Company by the Company on 2 May 2017 under the Share Option Scheme, no share option was granted under the Share Option Scheme for the period from 1 January 2017 to 31 December 2017.

Details of the share options granted to the Directors and the employees on 2 May 2017 are as follows:

Details of the share options granted to Ms. Wang Huimin on 2 May 2017:

Exercise price per share under the share option:	HK$0.5
Closing price of the Shares on the date of grant:	HK$0.45
No. of the share options granted:	7,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. If the Company's net profit in the first half of 2017 reaches the specified target, 50% of the share options will be vested on 1 October 2017; if the Company's net profit in the first half of 2017 reaches the specified target and the Company's net profit for the whole year of 2017 reaches the specified target, 30% of the share options will be vested on 1 October 2018; if the Company's net profit in the first half of 2017 reaches the specified target, the Company's net profit for the whole year of 2017 reaches the specified target and the Company's net profit for the whole year of 2018 reaches the specified target, 20% of the share options will be vested on 1 October 2019.

Details of the share options granted to Ms. Zhu Xiaoxia on 2 May 2017:

Exercise price per share under the share option:	HK$0.5
Closing price of the Shares on the date of grant:	HK$0.45
No. of the share options granted:	5,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. If the Company's net profit in the first half of 2017 reaches the specified target, 50% of the share options will be vested on 1 October 2017; if the Company's net profit in the first half of 2017 reaches the specified target and the Company's net profit for the whole year of 2017 reaches the specified target, 30% of the share options will be vested on 1 October 2018; if the Company's net profit in the first half of 2017 reaches the specified target, the Company's net profit for the whole year of 2017 reaches the specified target and the Company's net profit for the whole year of 2018 reaches the specified target, 20% of the share options will be vested on 1 October 2019.

Details of the share options granted to Mr. Lin Lijun on 2 May 2017:

Exercise price per share under the share option:	HK$0.5
Closing price of the Shares on the date of grant:	HK$0.45
No. of the share options granted:	1,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. If the Company's net profit in the first half of 2017 reaches the specified target, 50% of the share options will be vested on 1 October 2017; if the Company's net profit in the first half of 2017 reaches the specified target and the Company's net profit for the whole year of 2017 reaches the specified target, 30% of the share options will be vested on 1 October 2018; if the Company's net profit in the first half of 2017 reaches the specified target, the Company's net profit for the whole year of 2017 reaches the specified target and the Company's net profit for the whole year of 2018 reaches the specified target, 20% of the share options will be vested on 1 October 2019.

Details of the share options granted to Mr. Lui Wai Ming on 2 May 2017:

Exercise price per share under the share option:	HK$0.5
Closing price of the Shares on the date of grant:	HK$0.45
No. of the share options granted:	1,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. If the Company's net profit in the first half of 2017 reaches the specified target, 50% of the share options will be vested on 1 October 2017; if the Company's net profit in the first half of 2017 reaches the specified target and the Company's net profit for the whole year of 2017 reaches the specified target, 30% of the share options will be vested on 1 October 2018; if the Company's net profit in the first half of 2017 reaches the specified target, the Company's net profit for the whole year of 2017 reaches the specified target and the Company's net profit for the whole year of 2018 reaches the specified target, 20% of the share options will be vested on 1 October 2019.

Details of the share options granted to Dr. Wu Chun Wah on 2 May 2017:

Exercise price per share under the share option:	HK$0.5
Closing price of the Shares on the date of grant:	HK$0.45
No. of the share options granted:	1,000,000
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. If the Company's net profit in the first half of 2017 reaches the specified target, 50% of the share options will be vested on 1 October 2017; if the Company's net profit in the first half of 2017 reaches the specified target and the Company's net profit for the whole year of 2017 reaches the specified target, 30% of the share options will be vested on 1 October 2018; if the Company's net profit in the first half of 2017 reaches the specified target, the Company's net profit for the whole year of 2017 reaches the specified target and the Company's net profit for the whole year of 2018 reaches the specified target, 20% of the share options will be vested on 1 October 2019.

Details of the share options granted to certain eligible employees on 2 May 2017:

Exercise price per share under the share option:	HK$0.5
Closing price of the Shares on the date of grant:	HK$0.45
No. of the share options granted:	70,000,000 in aggregate
Term of validity of the share options granted:	Ten(10) years from the date of grant (i.e. 2 May 2027)
Vesting date of the Share options:	The vesting period is 3 years. If the Company's net profit in the first half of 2017 reaches the specified target, 50% of the share options will be vested on 1 October 2017; if the Company's net profit in the first half of 2017 reaches the specified target and the Company's net profit for the whole year of 2017 reaches the specified target, 30% of the share options will be vested on 1 October 2018; if the Company's net profit in the first half of 2017 reaches the specified target, the Company's net profit for the whole year of 2017 reaches the specified target and the Company's net profit for the whole year of 2018 reaches the specified target, 20% of the share options will be vested on 1 October 2019.

The summary of the share options granted under the Share Option Schemes that were still outstanding as at 31 December 2017 is as follows:

Name of the grantee	No. of share options outstanding as at 1 January 2017	No. of share options granted during the year ended 31 December 2017	No. of share options exercised during the year ended 31 December 2017	No. of share options cancelled during the year ended 31 December 2017	No. of share options lapsed during the year ended 31 December 2017	No. of share options outstanding as at 31 December 2017
Directors						
Ms. Wang Huimin	–	7,000,000	–	–	–	7,000,000
Ms. Zhu Xiaoxia	–	5,000,000	–	–	–	5,000,000
Mr. LIN Lijun	–	1,000,000	–	–	–	1,000,000
Mr. Lui Wai Ming	–	1,000,000	–	–	–	1,000,000
Dr. Wu Chun Wah	–	1,000,000	–	–	–	1,000,000
Employees	30,422,297	70,000,000	–	894,600	2,905,560	96,622,137
Directors and employees (in aggregate)	30,422,297	85,000,000	–	894,600	2,905,560	111,622,137

Details regarding the number of options, date of grant, exercise period and exercise price of the share options granted to employees under the Share Option Schemes that were still outstanding as at 31 December 2017 are set out below:

Participants	Date of grant of Option	Exercise Period of Option	Exercise Price of Option HK$ per share	No. of outstanding option as at the Latest Practicable Date
Employees	23 August 2013	23 August 2013 to 22 August 2023	1.5	8,195,726
	30 June 2014	1 July 2015 to 29 June 2024	1.5	5,954,760
	30 June 2014	1 July 2015 to 29 June 2024	1.3	4,997,331
	1 January 2015	1 January 2016 to 31 December 2024	1.3	2,333,520
	1 January 2015	1 January 2016 to 31 December 2024	1	5,140,800
	2 May 2017	1 October 2017 to 2 May 2027	0.5	70,000,000
Total				96,622,137

Note: Affected by the Right Issue in July 2016, the details of exercise price of the options after adjustment upon the Right Issue of the Company are set out on page 126 of this report.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2017 and a outlook on the Group's future business development, possible risks and uncertainties that the Group may be facing are shown in "Management Discussion and Analysis" section of this report. The financial risk management objectives and policies of the Group are set out in note 38 to the consolidated financial statements. An analysis of the Group's performance using financial key performance indicators is shown in "Five-Year Financial Summary" section of this report.

Environmental policies and performance

The Group believes that due performance of environmental responsibility would definitely improve the effectiveness of the utilization of the Group's resources and the quality of customer service, and would raise the economic efficiency to the Group. The Group abides by all the applicable environmental laws and regulations of the places where the Group has business operations. The Group has established the environmental protection actions that include oil-water separator setting, reasonable disposal of restaurant wastes and waste cooking oils in order to minimize the impacts to the environment.

Compliance with the relevant laws and regulations

The operation of the Group is mainly carried out by the subsidiaries established in Chinese Mainland and Hong Kong of the Company. The Company is incorporated in the Cayman Islands with its shares listed on the Stock Exchange. Therefore, the establishment and operation of the Group are subject to the relevant laws, rules and regulations of the Cayman Islands, the Chinese Mainland and Hong Kong. Compliance procedures are in place to ensure adherence to (in particular) applicable laws, rules and regulations in Chinese Mainland and Hong Kong in all material aspects. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees from time to time.

Key Relationships with stakeholders

Employees

The Group respects its employees and endeavours to provide the better working conditions for its employees. In accordance with the requirements of Labor Law of the People's Republic of China and Labor Contract Law of the People's Republic of China and the Employment Ordinance in Hong Kong, the Company provides and maintains statutory benefits for its staff, including but not limited to mandatory provident fund, basic medical insurance, labour insurance, etc. Staff is entitled to statutory holidays.

The Group has also established the policies for remuneration of employees so as to provide the fair remuneration packages for the employees under the systemic remuneration management. The Group provides equal opportunity for employees in respect of promotion, appraisal, training, development and other aspects and to build up a sound career platform for employees.

Customers

The Group focuses on improving the quality of products and services to enhance customer satisfaction, details of which are elaborated in Environmental, Social and Governance Report of the Company which will be released later.

Suppliers

The Group used to work with the suppliers with the same objectives and develops mutually-successful working relationships with the key suppliers. The Group strictly follows its policy, which is constructed under the Group's corporate culture and professional standard in the selection of suppliers and purchasing process. Although the cost of purchase is a major consideration in selecting suppliers, the Group would also consider the suppliers' corporate social responsibility performances, which include the suppliers' performances on the aspects of legal and regulatory compliance and business ethics etc.

DEBENTURES

For the year ended 31 December 2017, the Company did not issue any debentures.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Schemes and the Share Option Scheme, for the financial year ended 31 December 2017, the Company has not entered into any equity-linked agreement.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. Also, the Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against the Directors and senior management.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2017 are set out in Note 2.4 and 25 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

The summary of the Group's results, assets and liabilities for the last five financial years is set out on page 144 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Memorandum and Articles of Association (the "**Articles of Association**") and 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 41 to the financial statements.

As at 31 December 2017, the distributable reserves of the Company amounted to approximately RMB697,850,000, among which, RMB22,055,000 was proposed as a final dividend for the year.

The distributable reserves of the Company represents the share premium less accumulated losses, details of which are set out on page 143 of this report.

PROPERTY AND EQUIPMENT

Movements in the Group's properties and equipment during the year are set out in Note 13 to the financial statements.

DIRECTORS

For the year ended 31 December 2017 and as at the date of this report, the Board was comprised of the following Directors:

Executive Directors

Ms. Wang Huimin *(Chairlady & Chief Executive Officer)*

Ms. Zhu Xiaoxia

Non-executive Directors

Ms. Wang Huili

Mr. Weng Xiangwei

Ms. Wu Wen *(re-designated from an executive Director to a non-executive Director on 15 March 2018)*

Independent Non-executive Directors

Dr. Wu Chun Wah

Mr. Lui Wai Ming

Mr. LIN Lijun

Mr. Wang Hairong resigned as non-executive Director on 2 August 2017.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors of the Company and the senior management of the Group are set out on pages 48 to 50.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company. The appointment of independent non-executive Director Dr. Wu Chun Wah is for a term of 3 years from 4 June 2015, the appointment of independent non-executive Director Mr. Lui Wai Ming is for a term of 3 years from 18 August 2015, the appointment of non-executive Director Ms. Wu Wen is for a term of 3 years from 15 March 2018, the appointment of executive Director Ms. Zhu Xiaoxia is for a term of 3 years from 31 December 2015 and the appointment of independent non-executive Director Mr. LIN Lijun is for a term of 3 years from 23 March 2016. Except for the five Directors abovementioned, the appointment of all other Directors are for a term of 3 years from 4 July 2015. The appointment of all the Directors will continue in effect until any party giving at least three months written notice to the other party (subject to retirement from office and re-election at the AGM in accordance with its Articles of Association).

No Director offering for re-election at the forthcoming AGM 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).

EMOLUMENT POLICY

The Company's emolument policy is to ensure that the remuneration offered to employees, including executive Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of independent non-executive Directors are also determined by reference to their duties and responsibilities, the recommendation made by the Remuneration Committee and the prevailing market conditions. The remuneration packages of executive Directors are also determined by reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each Director.

The emolument of the Directors and the five highest paid individuals is set out in Note 8 and Note 9 to the financial statements.

Details of the employee retirement benefits of the Company are set out in Note 27 to the financial statements.

Details of share capital and share-based payment are set out in Note 28 and Note 29 to the financial statement.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Except for those disclosed in Note 35 to the financial statements, for the year ended 31 December 2017, none of the Directors had any direct or indirect material interest in any contracts, transactions or arrangements of significance in relation to the Group's business to which any of the Company, its holding companies, its subsidiaries or its fellow subsidiaries was a party.

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

As at 31 December 2017, 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 any 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 Listing Rules, are set out as follows:

Name of Directors	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding
Wang Huimin	Beneficiary of a trust	778,765,500(L) [2]	35.19%
	Trustee	166,747,227(L) [3]	7.53%
	Beneficial owner	7,000,000(L) [4]	0.32%
Zhu Xiaoxia	Interest in controlled corporation	80,103,575(L) [5]	3.62%
	Beneficial owner	24,773,693(L)	1.12%
	Beneficial owner	5,000,000(L) [6]	0.23%
Wu Wen	Interest in controlled corporation	62,592,681(L) [7]	2.83%
	Beneficial owner	13,050,000(L)	0.59%
Wang Huili	Interest in controlled corporation	12,260,625(L) [8]	0.55%
	Beneficial owner	13,650,000(L)	0.62%
Wang Hairong[9]	Beneficial owner	12,297,000(L)	0.56%
Weng Xiangwei	Interest in controlled corporation	167,887,000(L)[10]	7.59%
Lui Wai Ming	Beneficial owner	1,000,000(L)[11]	0.05%
Wu Chun Wah	Beneficial owner	1,000,000(L)[12]	0.05%
LIN Lijun	Beneficial owner	1,000,000(L)[13]	0.05%

Notes:

(1) The letter "L" denotes long position in the shares held by the Directors.

(2) The relevant shares of the Company were held by Value Boost Limited. The entire issued share capital of Value Boost Limited was held by Extensive Power Limited which acted as the trustee of The Wang Trust. The Wang Trust was a trust established by Ms. Wang Huimin, an executive Director, as the settlor and the trustee on 27 August 2011. The beneficiaries of The Wang Trust were Ms. Wang Huimin and in the event of her decease her estate administrator. Therefore, Ms. Wang Huimin and Extensive Power Limited were deemed to be interested in the Shares held Value Boost Limited under the SFO.

(3) The relevant Shares were held by Ms. Wang Huimin as trustee. Therefore, Ms. Wang Huimin, an executive Director, was also deemed to be interested in the Shares under the SFO.

(4) Ms. Wang Huimin, an executive Director, was granted 7,000,000 share options under the Share Option Scheme of the Company on 2 May 2017.

(5) The relevant Shares were held by Xiaohua (Hong Kong) Limited. Ms. Zhu Xiaoxia, an executive Director, owned half of the issued share capital of Xiaohua (Hong Kong) Limited. Therefore, Ms. Zhu Xiaoxia was deemed to be interested in the Shares held by Xiaohua (Hong Kong) Limited under the SFO.

(6) Ms. Zhu Xiaoxia, an executive Director, was granted 5,000,000 share options under the Share Option Scheme of the Company on 2 May 2017.

(7) The relevant Shares were held by Well Reach Limited. Ms. Wu Wen, a non-executive Director, owned the entire issued share capital of Brilliant South Limited, which beneficially owned 100% equity interest in Well Reach Limited. Therefore, Ms. Wu Wen was deemed to be interested in the Shares held by Well Reach Limited under the SFO.

(8) The relevant Shares were held by Fast Thinker Limited. Ms. Wang Huili, a non-executive Director, owned the entire issued share capital of Ever Project Investments Limited, which beneficially owned 100% equity interest in Fast Thinker Limited. Therefore, Ms. Wang Huili was deemed to be interested in the Shares held by Fast Thinker Limited under the SFO.

(9) Mr. Wang Hairong disposed the 5.34% equity interests of the Company held through Wealth Boom Enterprise Limited and Full Health Limited on 12 April 2017, and resigned as the non-executive Director of the Company on 2 August 2017.

(10) The relevant Shares were held by Sunshine Property I Limited. Mr. Weng Xiangwei, a non-executive Director, owned the entire issued share capital of Shining (BVI) Limited, which beneficially owned 100% equity interest in Shining Capital Management Limited, which in turn beneficially owned 100% equity interest in Shining Capital Holdings L.P., which also in turn beneficially owned 100% equity interest in Sunshine Property I Limited. Therefore, Mr. Weng Xiangwei, Shining (BVI) Limited, Shining Capital Management Limited and Shining Capital Holdings L.P. were deemed to be interested in the shares held by Sunshine Property I Limited under the SFO.

(11) Mr. Lui Wai Ming, an independent non-executive Director, was granted 1,000,000 share options under the Share Option Scheme of the Company on 2 May 2017.

(12) Dr. Wu Chun Wah, an independent non-executive Director, was granted 1,000,000 share options under the Share Option Scheme of the Company on 2 May 2017.

(13) Mr. Lin Lijun, an independent non-executive Director, was granted 1,000,000 share options under the Share Option Scheme of the Company on 2 May 2017.

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

As at 31 December 2017, the following persons (other than Directors or chief executives 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 shareholders	Capacity/Nature of interest	Number of Shares[1]	Approximate percentage of shareholding
Value Boost Limited	Beneficial owner	778,765,500(L)[2]	35.19%
Extensive Power Limited	Interest in controlled corporation	778,765,500(L)[2]	35.19%
Sunshine Property I Limited	Beneficial owner	167,887,000(L)[3]	7.59%
Shinning Capital Holdings L.P.	Interest in controlled corporation	167,887,000(L)[3]	7.59%
Shining Capital Management Limited	Interest in controlled corporation	167,887,000(L)[3]	7.59%
Shining (BVI) Limited	Interest in controlled corporation	167,887,000(L)[3]	7.59%
Milestone F&B I Limited	Beneficial owner	113,820,000(L)[4]	5.14%
Milestone China Opportunities Fund III, L.P.	Interest in controlled corporation	113,820,000(L)[4]	5.14%
Milestone Capital Partners III Limited	Interest in controlled corporation	113,820,000(L)[4]	5.14%
Milestone Capital Investment Holdings Limited	Interest in controlled corporation	113,820,000(L)[4]	5.14%
MCP China Investment Holdings Limited	Interest in controlled corporation	113,820,000(L)[4]	5.14%
Linden Street Capital Limited	Interest in controlled corporation	113,820,000(L)[4]	5.14%
Lou Yunli	Trustee/Founder of a discretionary trust	113,820,000(L)[4]	5.14%
Kralik James Christopher	Trustee	113,820,000(L)[4]	5.14%
Kaiser Capital Holdings Limited	Beneficial owner	118,223,625(L)[5]	5.34%
FIL Limited	Interest in controlled corporation	117,114,000(L)	5.29%
Fidelity China Special Situations PLC	Beneficial owner	116,220,000(L)	5.25%

Notes:

(1) The letter "L" denotes long position in the shares.

(2) The 778,765,500 Shares were held by Value Boost Limited. The entire issued share capital of Value Boost Limited was held by Extensive Power Limited which acted as the trustee of The Wang Trust. The Wang Trust was a trust established by Ms. Wang Huimin, an executive Director, as the settlor and the trustee on 27 August 2011. The beneficiaries of The Wang Trust were Ms. Wang Huimin and in the event of her decease her estate administrator. Therefore, Ms. Wang Huimin and Extensive Power Limited were deemed to be interested in the Shares held by Value Boost Limited under the SFO.

(3) The 167,887,000 Shares were held by Sunshine Property I Limited. Mr. Weng Xiangwei, a non-executive Director, owned the entire issued share capital of Shining (BVI) Limited, which beneficially owned 100% equity interest in Shining Capital Management Limited, which in turn beneficially owned 100% equity interest in Shining Capital Holdings L.P., which also in turn beneficially owned 100% equity interest in Sunshine Property I Limited. Therefore, Mr. Weng Xiangwei, Shining (BVI) Limited, Shining Capital Management Limited and Shining Capital Holdings L.P. were deemed to be interested in the shares held by Sunshine Property I Limited under the SFO.

(4) The 113,820,000 Shares were held by Milestone F&B I Limited. Each of Kralik James Christopher and Lou Yunli held 50% interests in Linden Street Capital Limited, which in turn held 100% in MCP China Investment Holdings Limited. MCP China Investment Holdings Limited held 85% interests in Milestone Capital Investment Holdings Limited, which in turn held 100% interests in Milestone Capital Partners III Limited. Milestone Capital Partners III Limited was the general partner of Milestone China Opportunities Fund III, L.P., which in turn held 100% interest in Milestone F&B I Limited. Therefore, Kralik James Christopher, Lou Yunli, Linden Street Capital Limited, MCP China Investment Holdings Limited, Milestone Capital Investment Holdings Limited, Milestone Capital Partners III Limited and Milestone China Opportunities Fund III, L.P. were therefore deemed to be interested in the Shares held by Milestone F&B I Limited under the SFO.

(5) The 118,223,625 Shares were held by Kaiser Capital Holdings Limited. Ting Pang Wan Raymond who held 100% interests of Kaiser Capital Holdings Limited were therefore deemed to be interested in the Shares held by Kaiser Capital Holdings Limited under the SFO. Luu Huyen Boi was the spouse of Ting Pang Wan Raymond, and therefore was deemed to be interested in the shares held by Ting Pang Wan Raymond under the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Upon cessation of the New Business (as defined in the 2014 annual report of the Company) in which Ms. Wang Huimin had a minority interest, save as disclosed in the Prospectus, each of the Group's Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Group.

DONATIONS

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

PURCHASE, SALE OR REPURCHASE OF LISTED SECURITIES

The Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company for the year ended 31 December 2017.

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.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this report on pages 20 to 23, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries, nor was there any contracts of significance for the provision of services to the Group by the Controlling Shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

One-off Connected Transactions

During the year, the Group has not entered into the any one-off connected transactions, which were subject to the reporting requirement under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

During the year, the Group entered into the following continuing connected transactions, which were subject to the reporting requirement under Chapter 14A of the Listing Rules:

Continuing Connected Transactions	2017 Annual Cap of the Transaction (RMB)	2017 Actual Annual Transaction Amount (RMB)
1. Shanghai Hongqiao Xiao Nan Guo Restaurant Management Co., Ltd. ("**Shanghai Hongqiao**") agreed to lease the premise (the "**Hongmei Premises**") of a total gross floor area of approximately 8,800 sq.m located at Block 4, No.3337, Hongmei Road, Shanghai to Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd. ("**Shanghai Hongmei**") for use as a restaurant. The fixed annual rental amount paid by Shanghai Hongmei is RMB4,000,000 for the period from 1 January 2015 to 31 December 2017. On 31 December 2016, Shanghai Hongmei and Shanghai Hongqiao entered into the lease termination agreement, and agreed to terminate the transaction since 1 January 2017.	RMB4,000,000	Nil
2. Shanghai Hongqiao agreed to provide property management and security services to Shanghai Hongmei at Hongmei Premises. The expenses represent the actual cost incurred from the service for the period from 1 January 2015 to 31 December 2017. On 31 December 2016, Shanghai Hongmei and Shanghai Hongqiao entered into the lease termination agreement, and agreed to terminate the transaction since 1 January 2017.	RMB600,000	Nil
3. Xiao Nan Guo (Group) Company Ltd. ("**Xiao Nan Guo Group**") agreed to lease the premises (the "**Yingkou Premises**") of approximately 6,200 sq.m located at 601 Yingkou Road, Shanghai, the PRC to Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd, ("**Shanghai Xiao Nan Guo**") of which approximately 3,700 sq.m would be used as restaurants and approximately 2,500 sq.m would be used as office premises. A contingent rent would be paid for leasing the restaurant premises, calculated as 17% of the revenue income of the restaurant at the Yingkou Premises. A fixed rent would be paid for leasing the office premises. In addition, Xiao Nan Guo Group has agreed to provide property management and security services to Shanghai Xiao Nan Guo at the Yingkou Premises. On 18 December 2015, Xiao Nan Guo Group and Shanghai Xiao Nan Guo entered into the supplemental lease agreement. The rent payable by Shanghai Xiao Nan Guo to Xiao Nan Guo Group under the restaurant lease is reduced from 17% to 12% of the annual turnover of Shanghai Xiao Nan Guo. Period for each is from 1 January 2015 to 31 December 2017.	RMB13,400,000	Rental for office premises, RMB4,874,555; Rental for restaurants premises, RMB3,643,037

Continuing Connected Transactions	2017 Annual Cap of the Transaction (RMB)	2017 Actual Annual Transaction Amount (RMB)
4 Shanghai Xiao Nan Guo agreed to sell branded food products (or coupons) to Xiao Nan Guo Group. The price of branded food products (or coupons) should be determined by Shanghai Xiao Nan Guo. Xiao Nan Guo Group should purchase branded products (or coupon) at the market price as determined by Shanghai Xiao Nan Guo. Period for each is from 1 January 2015 to 31 December 2017.	RMB3,000,000	Nil
5. Shanghai Xiao Nan Guo agreed to provide the Banquet Food to WH Ming Hotel upon request for banquet arrangements at the Hotel premises for the customers of WH Ming Hotel. The price of Banquet Food provided to WH Ming Hotel shall be decided by Shanghai Xiao Nan Guo, and shall not be lower than 75% of the selling price of the food in the menu of Shanghai Xiao Nan Guo.	RMB30,000,000*	RMB15,136,010
6. The Company agreed to procure the raw ingredients used for restaurant operation from Shanghai Zhongmin Supply Chain Management Co., Ltd. ("**Zhongmin Supply Chain**"). The pricing of such raw materials shall be determined with reference to the costs for such raw materials and the prevailing market price and procurement quantity of similar raw materials.	The Company entered into a procurement framework agreement with Zhongmin Supply Chain (the "Previous Procurement Framework Agreement") on 22 July 2016 (amended on 20 December 2016), with effect from 13 January 2017 as approved by the general meeting. The validity of the Previous Procurement Framework Agreement is one year with effect from 1 June 2016 and terminated on 31 May 2017, with the annual procurement in aggregate of no more than RMB300 million. The Company entered into a procurement framework agreement with Zhongmin Supply Chain on 1 June 2017 (which was amended on 31 July 2017) (the "**Procurement Framework Agreement**"). The validity of the Procurement Framework Agreement is one year with effect from 1 June 2017 and up to 31 May 2018, with the annual procurement in aggregate of no more than RMB30 million.	From 1 January 2017 to 30 May 2017, the transaction amount in aggregate was RMB56,701,610. From 1 June 2017 to 31 December 2017, the transaction amount in aggregate was RMB11,835,875.

* The continuing connected transaction was approved by the Board on 27 March 2018, with approved annual cap of the transaction of 2017 of RMB30,000,000, details of which please refer to the announcement dated 27 March 2018 in relation to the continuing connected transaction.

Shanghai Xiao Nan Guo is a wholly owned subsidiary of the Company. The aforementioned Shanghai Hongqiao, Xiao Nan Guo Group and WH Ming Hotel are owned by Ms. Wang Huimin, the chairlady, controlling shareholder and executive Director of the Company. Each of Ms. Wang Huimin and Ms. Zhu Xiaoxia (executive Director) holds 48.75% equity interests in Shanghai Zhongmin Investment and Development Group Co., Ltd ("**Shanghai Zhongmin Investment**"), which in turn holds 100% equity interests in Zhongmin Supply Chain. Therefore, according to the Listing Rules, Shanghai Hongqiao, Xiao Nan Guo Group, WH Ming Hotel and Zhongmin Supply Chain are connected persons of the Company.

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 2017 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; and

(4) the aggregate amounts of the continuing connected transactions have not exceeded the relevant annual cap.

Apart from the transactions disclosed in note 35 to the financial statements, the related party transactions with companies owned by the Controlling Shareholder 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 report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

AUDITOR

The financial statements were audited by Ernst & Young who will retire at the conclusion of the forthcoming AGM 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 AGM.

SUBSEQUENT EVENTS

On 13 February 2018, Bright Charm Developments Limited ("**Bright Charm**"), a wholly-owned subsidiary of the Company, entered into a non-legally binding (unless otherwise specified therein) term sheet (the "**Term Sheet**") with the potential purchasers. Pursuant to the Term Sheet, Bright Charm intends to sell, and the potential purchasers intend to purchase, 65% of the issued share capital of Million Rank Limited, which is a company incorporated in the British Virgin Islands. Please refer to the announcement of the Company dated 13 February 2018 for details.

On behalf of the Board
Wang Huimin
Chairlady

Shanghai, 27 March 2018

INDUSTRY REVIEW FOR 2017

According to the "World Economic Situation and Prospects in 2018" released by the United Nations at the New York headquarters, supported by the extensive recovery of developed economies, emerging markets and developing economies in 2017, the global economy has grown by 3%. China is the biggest contributor to the global economic growth, contributing one-third thereof. China's economy continues to grow steadily, and the catering industry continues to play an important role in expanding consumer demand and stimulating economic growth. The entire industry achieves stable, healthy and sustainable development. In 2017, the total revenue of catering services in PRC was RMB3,964.4 billion, an increase of 10.7% over the same period last year, which was 0.5 percentage point higher than the increase in retail sales of social consumer goods, representing 4.8% of GDP.

With the concept of continuous upgrading of consumption structure and the rise of a new generation of consumer groups, in 2017, Chinese catering market was booming and various business models coexisted. In addition to the strong dominance of Chinese dinner in catering industry, leisure casual dining has advanced rapidly, and international cuisine has gradually developed. The market competition evolved from the category of industry to brand competition, which fully demonstrated that the development of the catering industry has risen to a new stage. The internet sell-out exceeded RMB200 billion, the market share of the entire catering market continued to rise to approximately 5%, and it was shifting from quantitative change to qualitative change. Meanwhile, a mixed catering style has emerged from the innovation explosion on the internet, consisting of traditional catering service and new retails products. The new era of intelligence of new catering has begun.

At present, the development mode of the catering industry is shifting from an extension-type expansion to an intensive-concentration type. The companies in the industry continue to expand and are trying new formats and products, but there are some uncertainties in the process. Human resources, continuous expansion, cost, supply chain, and scientific and technological applications have become the five major hard points for the catering industry in 2017. They are the common problems faced by catering industry in China in 2017. These five major issues require first-line branded chain restaurants to gradually improve all aspects of operations management, brand building, model innovation, technology application, and modern supply chain, the traditional catering industry has gradually entered a new competitive landscape.

FINANCIAL PERFORMANCE THROUGHOUT 2017

As of 31 December 2017, the Group achieved a significant breakthrough in its operating results under the competitive environment of the innovative restaurant industry. The Group's revenue for the year amounted to RMB1,912.0 million. Gross profit amounted to RMB1,395.3 million, with an increase in gross margin ratio of 1.3% compared with 2016. Net profit amounted to RMB101.9 million, representing an increase of RMB67.7 million, or 197.7%, from RMB34.2 million in 2016. The profit attributable to shareholders for the year amounted to RMB101.7 million, an increase of RMB66.7 million from RMB35.0 million in last year.

OPERATION REVIEW FOR 2017

As one of the largest multi-brands catering groups in China founded for 31 years, the Group always maintained a keen insight into the future development of the catering industry under the influence of the Internet, and is well versed in the pain points of the traditional catering companies and solutions. Advancing with the trends and the times, boldly transforming the underlying logic of business development, deepening the strategic reform, and reshaping the core competitiveness. The Group was strategically renamed as TANSH Global Food Group Co., Ltd in June 2017, which aims to upgrade itself into an integrated management platform of catering brands.

In 2017, the Group has achieved significant operation and management results by focusing on the iteration and empowerment of enterprise core competitive advantages – "Brand + Standard Supply chain". The Group maintains a strong net profit growth momentum. The Group's net profit exceeded RMB100.0 million for the first time in recent five years. The main initiatives in 2017 are as follows:

YOUNG LEISURE BRANDS GROW SIGNIFICANTLY

In 2017, the Group concentrated on the incubation of young, fashion and leisure brands represented by "The Dining Room". As a result, the growth increased significantly and the profit model is more mature and firm. In addition to direct stores development, the Group also made an attempt on third-party franchise business through the main output model which is "Brand + Supply Chain" to lay a solid foundation for the rapid scale-up in the future. As of 31 December 2017, "the dining room" brand opened 4 new self operated stores, closed 3 stores due to the expiration of the lease and the total number of self-owned restaurants reached 23. Besides, the Group signed the first brand franchise agreement with a world-famous travel and catering group.

The revenue of all "The Dining Room" restaurants reached RMB264.3 million in 2017, representing an increase of 10.4% compared with 2016. The comparable store sales growth rate was 13.8%. In 2017, the operating profit of "the dining room" restaurants was RMB36.7 million, an increase of 108.7% (unaudited) compared with that of 2016.

In 2017, the Group accomplished the preparation and design as well as the systematic planning for supply chain of a famous Japanese coffee brand – DOUTOR. It is expected that the first store and flagship store will respectively be unveiled in Shanghai in mid-2018.

Increased empowerment efficiency of standard supply chain

In 2017, the Group collaborated with its strategic partner JMU Limited (NASDAQ: JMU) to restructure the competition and development chassis of Chinese food industry, deeply pursue research and development of standard supply chain products, and continuously optimize the menu system. At present, there are no more than 200 Stock Keeping Units ("**SKUs**") related to Chinese dishes, and the coverage rate of standard supply chain products in Chinese restaurants is over 95.0%. The streamlining and integration of product systems has brought about an increase in the efficiency of the supply chain system. Indirect costs such as warehousing and logistics have reduced by RMB14.1 million year-on-year, representing a decrease of 35.3% (unaudited).

The full introduction of the standard supply chain products has simultaneously achieved the efficiency optimization in restaurant's kitchen as well as the implementation of a comprehensive and refined control system, which has resulted in a substantial increase in the operating profits of the restaurants. As of 31 December 2017, the number of full-time kitchen staff in the Chinese cuisine brands in Chinese Mainland was reduced by 25.3%. The operating profit margin of Shanghai Min brand stores in Chinese Mainland reached 19.1%, increased by 4.5% (unaudited) compared to the same period in 2016.

The new incremental business greatly increased

Based on the solid chassis foundation of "Brand + Standard Supply Chain", in 2017, the Group is committed to the restaurant business extension and development of time and space, while carrying out in-depth cooperation with the Internet delivery platform and new retail channels respectively, to launch deep cooperation for two new incremental business of brand takeout and brand retail products. Among them, the total revenue of Chinese food brand takeaways in December 2017 reached RMB11.1 million in a singular month, showing a strong growth trend. The development of brand retail products such as "Jia Yan" and "Zhu Hao Mian" continued to be optimized, and the entering and layout of major new online and offline retail channels has been completed already.

Headquarters management function optimized

In 2017, the Group continued to deepen the flattening reform of the Group's headquarters, and endeavored to improve the functional efficiency and marketization of functions. The general and administrative expenses proportion of revenue constantly decreased from 8.2% in 2016 to 7.5% in 2017, a decrease of RMB21.4 million from the same period of 2016, of which, as of 31 December 2017, the number of functional staff in the headquarters decreased by 26.4%, and the corresponding manpower cost decreased by RMB14.1 million.

STRATEGIC OUTLOOK FOR 2018

In 2018, consumer demand of the catering market will continue to upgrade, and will maintain a steady growth tendency. Internet intelligent technology, information-based big data, and new retail business forms will have a more profound impact on the traditional catering industry. Consequently the new competition pattern and competitiveness will change accordingly. In 2018, the Group will persistently pursue the corporate mission – "Food is the primary necessity. Let people enjoy the happiness of delicious food". The Group stands at the starting point of a enterprise development, adheres to the strategic transformation, make bold trials, strive in a proactive manner and scales new value heights. The management of the Group will execute the following strategies to lay out the second phase of the strategic transformation:

Focus on the dominant brands to play a cluster effect

After the primary adjustment stage of the strategic transformation, based on the main output model "Brand + Standard Supply Chain", the Group will gradually step into the period of rapid development of the brands. Brands with broad market appeal, standard supply chain support as well as mature and firm profit model will be in the first development ladder and on their way of rapid development through multiple channels. Among those brands, the young fashion and leisure brand "The Dining Room" will be the development focus. The Group plans to open at least 12 stores in Hong Kong, Shanghai, Beijing and other first-tier cities in 2018. In 2018, the Group will take the advantage of the standard supply chain to boldly reform the business model of the brand restaurant "Shanghai Min". The Group will reshape the criteria of site selection, thus significantly increase the return on investment. The Group plans to upgrade four restaurants to new model. The first pilot store – Super Brand Mall Store, situated in Shanghai Putong Lujiazui is expected to open in June 2018. "DOUTOR" coffee, a well-known Asian coffee brand originating from Japan, will open its first store in Mid-2018. After that, the Group will also collaborate with all parties for strategic resources and plan the layout of quick expansion with the advantages of "Brand + Standard Supply Chain".

In addition to independent development of the dominant brands, the Group will try the brand cluster output and share the commercial strategic resources. The store located in Century Link Tower, a plaza in Shanghai Pudong area, which will be launched in the second half of 2018, will be the first stop for the output of brand clusters. At the same time, the Group will continuously incubate or strategically adjust the brand matrix, and will keep an eye on and introduce excellent domestic and foreign brands or business models in order to further enhance the vitality and competitiveness of the brand integration platform.

Widen the standard supply chain advantage to enhance the development base

In 2018, the Group will synergize with various strategic partners with their resources and make joint efforts internally and externally to achieve the value of technology research and development. The Group will deepen the research and development and application of standard supply chain and then promote the execution. The implementation plan will cover all the priority brands, whole category of dishes, systematic business process from raw materials to final goods, business-oriented restaurants, O2O brand takeaway and the all channels of consumer-oriented retail products.

The standard supply chain will be upgraded and put into service. In addition to optimized scale costs of system, the Group will persist to improve the operating quality and efficiency of the existing restaurants, which is beneficial to the construction of safety and quality management system in the aspect of food security, production operations, and supplier procurement management. While the technical personnel team, which is released due to the standard supply chain, will provide help for the future brand developments.

Launch the third-party franchise business output development

In 2018, the Group will utilize the existing core competitiveness of "Brand + Standard Supply Chain" to open up the development model of brand output and franchise business. Through in-depth strategic cooperation with world-famous travel and catering groups, the airport restaurants in first-tier cities at home and abroad will be laid out; at the same time, brand franchise business will be open to the third party with comprehensive resource capabilities in certain cities.

A breakthrough in the incremental business

In 2018, according to the business development plan and the situation, the Group will adjust its organizational structure, add the brand takeaway department and the brand retail commodity department, introduce the professional talent team with more advanced thinking, and in line with the characteristics of Internet brand takeaway and the new retail channels comprehensively upgrade the product research and development mode as well as business operation mode, so as to obtain the laddering business growth.

Take the talent as the basis and encourage the functional staff marketization

In 2018, the Group will focus on future development, optimize the talent structure, and actively introduce world-class management talents and technology R&D talents. Taking advantage of the platform where brand integration rapidly develops, the Group will continue to deepen the partnership incentive mechanism, encouraging innovation and entrepreneurship as well as talents to grow together with the Group so that it can strengthen the talents' sense of belonging and achievement. Based on the incentive mechanism of active partnership in stores, the Group actively encourage the functional departments to export service ability achieving marketization and efficiency, and provide talent teams to brand integration and development.

Financial performance

The Group's revenue in 2017 decreased by 4.4% from last year to RMB1,912.0 million. The Group's profit in 2017 amounted to RMB101.9 million, an increase of RMB67.7 million from RMB34.2 million in 2016. This was mainly due to the good operating conditions of leisure catering brands targeting or young generation and the significant increase in operating efficiency resulting from the standard supply chain reform and optimization in 2017.

FINANCIAL REVIEW

In 2017, the revenue of the Group reached RMB1,912.0 million, representing a decrease of RMB89.0 million or 4.4% compared to RMB2,001.0 million in 2016. The gross profit of the Group amounted to RMB1,395.3 million, representing a decrease of approximately RMB38.6 million from RMB1,433.9 million of 2016. In 2017, the profit attributable to owners of the parent amounted to approximately RMB101.7 million, representing an increase of RMB66.7 million compared to RMB35.0 million in 2016.

In 2017, the Group operated a restaurant network of 67 "Shanghai Min" restaurants, 3 "Maison DeL'Hui" restaurants, 23 "the dining room" restaurants, 2 "Oreno" restaurants, 2 "Wolfgang Puck" restaurants, 1 "The BOATHOUSE" restaurant and 23 restaurants under POKKA HK brands, which covers some of the most affluent and fast-growing cities in Chinese Mainland (Note(ii)), Hong Kong and other regions. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, in 2017 and 2016 respectively.

	As of 31 December			
	2017		2016	
	Number of restaurants *(Note (iii))*	**Revenue *RMB'000* (audited)**	Number of restaurants	Revenue *RMB'000* (audited)
The PRC (Chinese Mainland) *(Note (ii))*				
– Shanghai Min and Maison DeL'Hui	**63**	**1,143,130**	66	1,185,978
– The Dining Room	**16**	**146,208**	16	110,010
– Other brands *(Note (vi))*	**4**	**60,605**	4	60,697
Hong Kong				
– Shanghai Min	**7**	**142,774**	7	160,526
– The Dining Room	**7**	**118,136**	6	128,719
– POKKA HK *(Note (iv))*	**22**	**263,002**	26	296,271
– Other brands *(Note (vi))*	**1**	**2,887**	1	22,017
Macau *(Note (v))*				
– Shanghai Min	**–**	**–**	–	4,273
– The Dining Room	**–**	**–**	–	811
– POKKA HK	**1**	**11,775**	1	13,493
Total Revenue of restaurant operations *(Note (i))*	**121**	**1,888,517**	127	1,982,795
Other Revenue		**23,457**		18,206
Total Revenue		**1,911,974**		2,001,001

Notes

(i) Total revenue of restaurant operations includes revenue of restaurant operations, takeaway business and packaging products of restaurants.

(ii) The PRC (Chinese Mainland), which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan.

(iii) The number of restaurants excludes Mai Chi Ling licensed stores.

(iv) POKKA HK brand stores include 23 stores under 9 brands such as POKKA Café, Tonkichi in Hong Kong and Macau.

(v) Shanghai Min and the dining room in Macau were disposed of at the end of February 2016, which were not included in the number of restaurants as of the end of the year, while revenue from January to February in 2016 was included in revenue for the year of 2016.

(vi) Other brands in the PRC include Oreno, Wolfgang Puck and The BOATHOUSE. Other brands in Hong Kong include Oreno.

Revenue

Revenue of the Group decreased by RMB89.0 million, or 4.4%, from RMB2,001.0 million in 2016 to RMB1,912.0 million in 2017. This decrease was due to the decrease in revenue for stores closed during the year.

Total Revenue of restaurant operations

Total revenue of restaurant operations decreased by RMB94.3 million, or 4.8% from RMB1,982.8 million in 2016 to RMB1,888.5 million in 2017, primarily reflecting:

- an increase of RMB61.7 million in revenue contributed by restaurants newly opened as at 31 December 2017;

- an increase of RMB27.9 million, representing an increase of 2.0%, in comparable restaurants sales in 2017 as compared with that of 2016 (excluded the POKKA HK brands);

- the relocation, adjustment, transfer, closing stores and decrease in restaurant revenue as at 31 December 2017 resulted in a decrease in overall revenue of RMB183.9 million.

Other revenue

Other revenue increased by RMB5.3 million, from RMB18.2 million in 2016 to RMB23.5 million in 2017. It was mainly contributed to the increase of the revenue of the food material sold to third party and outer cooking business.

Cost of Sale

The cost of sale decreased by RMB50.4 million, or 8.9%, from RMB567.1 million in 2016 to RMB516.7 million in 2017.

The cost of sales as a percentage of revenue decreased from 28.3% in 2016 to 27.0% in 2017, mainly reflected in: (i) a decrease in warehousing and logistics costs; (ii) improved cost efficiency in each working steps after the introduction of standard supply chain product; and (iii) innovation in product purchasing and marketing model.

Other income

Other income decreased by RMB7.4 million, from RMB46.7 million in 2016 to RMB39.3 million in 2017. This decrease was due to a decrease in government subsidy income of RMB17.7 million.

Selling and distribution expenses

Selling and distribution expenses decreased by RMB93.0 million, or 7.6%, from RMB1,218.0 million in 2016 to RMB1,125.1 million in 2017.

Labor costs relating to the restaurants operations decreased by RMB46.6 million, or 9.4%, from RMB494.1 million in 2016 to RMB447.5 million in 2017. As a percentage of the Group's revenue, labor costs decreased from 24.7% in 2016 to 23.4% in 2017. The decrease was mainly due to the improvement of the efficiency of the restaurant staff driven by the standard supply chain.

Rental costs relating to restaurants operations decreased by RMB13.0 million, or 3.6%, from RMB359.0 million for the year ended 2016 to RMB346.0 million for the year ended 2017. As a percentage of the Group's revenue, rental costs increased from 17.9% in 2016 to 18.1% in 2017.

Depreciation expenses relating to the restaurants operations decreased by RMB11.4 million, or 7.4%, from RMB153.8 million in 2016 to RMB142.4 million in 2017. As a percentage of the Group's revenue, depreciation expenses decreased from 7.7% in 2016 to 7.4% in 2017.

Administrative expenses

Benefited from adjustment of management structure, administrative expenses decreased by RMB21.4 million, or 13.0%, from RMB164.5 million in 2016 to RMB143.1 million in 2017, and as a percentage of revenue, administrative expenses decreased from 8.2% in 2016 to 7.5% in 2017.

Other expenses

Other expenses of RMB9.5 million in 2017 were mainly attributable to one-off write-off of store closure, the loss from disposal of assets in the normal course of business of RMB6.2 million.

Income Tax Expense

Income tax expenses increased by RMB11.1 million or 42.5%, from RMB26.2 million in 2016 to RMB37.3 million in 2017, which was mainly attributable to the year-on-year increase of profit before tax during 2017.

Profit for the year

As a result of the foregoing, the profit for the year increased by RMB67.7 million from RMB34.2 million in 2016 to RMB101.9 million in 2017. The net profit margin increased from 1.7% in 2016 to 5.3% in 2017.

Liquidity, capital resources and cash flow

The Group funded the liquidity and capital requirements primarily through bank loans and cash inflows from the operating activities.

As at 31 December 2017, the Group's total interest-bearing bank loans were RMB413.5 million. The gearing ratio was 25.4%, which decreased by 8.3% from 33.7% of gearing ratio as at 31 December 2016. Gearing ratio represents net debt divided by adjusted capital plus net debt. 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 parent.

The Group had net cash inflows from operating activities of RMB226.9 million in 2017 (2016: RMB179.5 million). As at 31 December 2017, the Group had RMB305.2 million in cash and cash equivalents (31 December 2016: RMB233.4 million). The following table sets out certain information regarding the consolidated cash flows for the years ended 31 December 2017 and 2016:

	As of 31 December	
	2017	2016
	RMB'000	*RMB'000*
	(audited)	(audited)
Net cash flows generated from operating activities	**226,884**	179,467
Net cash flows used in investing activities	**(140,842)**	(350,239)
Net cash flows (used in)/generated from financing activities	**(19,179)**	237,904
Net increase in cash and cash equivalents	**66,863**	67,132
Cash and cash equivalents at the beginning of the year	**233,390**	169,024
Effect of foreign exchange, net	**4,971**	(2,766)
Cash and cash equivalents at the end of the year	**305,224**	233,390

Operating activities

Net cash inflow from operating activities increased by RMB47.4 million from RMB179.5 million as of 31 December 2016 to RMB226.9 million as of 31 December 2017, which was mainly due to the increase in profit before tax.

Investing activities

Net cash flow used in investing activities was RMB140.8 million as of 31 December 2017, compared with RMB350.2 million in 2016. The cash outflow from major investment activities was the final payment for acquiring equity interest of non-current financial assets, JMU Limited (formerly known as "Wowo Limited") in 2017.

Financing activities

Net cash flow generated from financing activities decreased from a cash inflow of RMB237.9 million as of 31 December 2016 to a cash outflow of RMB19.2 million as of 31 December 2017. This was mainly due to the increase in pledged time deposits of RMB103.5 million, the repayment of bank loans amounted to RMB205.9 million, the addition of bank loans amounted to RMB280.1 million, the payment of interest amounted to RMB 17.9 million and the proceeds from the issue of shares amounted to RMB 28.0 million.

Foreign currency exposure

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, investment activities and overseas financing income or expenses (when revenue or expenses from investment activities and overseas financing are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the twelve-month periods ended 31 December 2017 and 31 December 2016 are denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

Contingent liabilities

There were no significant contingent liabilities for the Group as at 31 December 2017 and 31 December 2016.

Material acquisitions and disposals

For the year ended 31 December 2017, there were no material acquisitions and disposals of the Group, its associated companies or joint ventures.

Significant investments

For the year ended 31 December 2017, the Group did not hold any significant investments.

Operating lease arrangements

As lessee

The Group leases certain of its offices and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 3 to 12 years.

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

	31 December 2017 **RMB'000** **(audited)**	31 December 2016 *RMB'000* (audited)
Within one year	**249,504**	278,423
In the second to fifth years, inclusive	**649,867**	795,232
After five years	**158,791**	269,748
	1,058,162	1,343,403

Capital commitment

Capital commitments were approximately RMB7.4 million and RMB29.5 million as at 31 December 2017 and 31 December 2016 respectively.

Pledge of group assets

As at 31 December 2017, the interest-bearing bank loans of the Group was RMB413.5 million, of which bank loans of HK$159.0 million (equivalent to RMB132.9 million) were secured by the pledge of fixed deposits of RMB123.5 million (excluding the pledged time deposits of RMB40.0 million released on 4 January 2018). The entrust bank loan of RMB99.0 million was borrowed from Bank of Shanghai by the Group and was secured by the controlling shareholder, Ms. Wang Huimin, the Company and the three subsidiaries of the Company as well as the operating income right of the Group in respect of four restaurants located in Shanghai Disney Resort. The bank loans of the Group in respect of Million Rank (HK) amounted to RMB36.7 million and were secured by mortgages over a building of Million Rank (HK).

Human resources and remuneration policies

As of 31 December 2017, the Group employed approximately 2,957 people in Chinese Mainland, Hong Kong and Macau, including 2,648 employees in restaurants and 309 employee in functional departments (3,933 employees in 2016, a year-on-year decrease of 24.8%).

In 2017, the Group optimized the employment structure of its restaurants. Under the premise of guaranteeing quality services and product quality, the Group has formed a three-dimensional labor structure for full-time employees, hourly employees and trainees. The Group also entered into long-term cooperation plans with a number of domestic institutions.

In addition, the Group has formulated a number of incentive assessment policies for employees in restaurants and functional departments, so as to increase the overall income of employees and to achieve the sharing of benefits between the Company and employees. This also resulted in a significant increase in restaurant operating efficiency and increase in the Group's performance.

For details of the Pre-IPO Share Option Schemes and the Share Option Schemes adopted by the Company, please refer to the section headed "Director's Report" of this report.

CORPORATE GOVERNANCE REPORT

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. For the year ended 31 December 2017, 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 to 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 required standard as set out in the Model code throughout the year ended 31 December 2017.

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 and practices of the Company, putting forward proposals to the Board, reviewing and monitoring the training and continuing professional development of Directors and senior management, 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, and reviewing the issuer's compliance with the Code and disclosure in the Corporate Governance Report. 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 Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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 & Chief Executive Officer)*
Ms. Zhu Xiaoxia

Non-Executive Directors

Ms. Wang Huili
Mr. Weng Xiangwei
Ms. Wu Wen

Independent Non-Executive Directors

Dr. Wu Chun Wah
Mr. Lui Wai Ming
Mr. Lin Lijun

All Directors have appropriate professional qualification or substantive experience and industry knowledge. Except that Ms. Wang Huili is the sister of Ms. Wang Huimin, 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. Below is the summary of the Board diversity policy of the Company:

The Company recognizes and embraces the benefits of having a diverse Board to enhance the overall quality of its performance.

The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In terms of diversification, the Company will also be based on its own business model and the specific needs of the times to take various factors into account.

The Nomination Committee has the primary duty of identifying qualified individuals to act as the Board members, and the Board will review this policy at an appropriate time to ensure the effectiveness of the policy.

All Directors have already entered into service contracts with the Company. The appointment of independent non-executive Director Dr. Wu Chun Wah is for a term of three years commencing from 4 June 2015, the emolument of Dr. Wu has been increased from USD30,000 to HKD288,000 effective from 29 December 2015, the appointment of independent non-executive Director Mr. Lui Wai Ming is for a term of three years commencing from 18 August 2015, the emolument of Mr. Lui has been increased from USD30,000 to HKD288,000 effective from 29 December 2015, the appointment of executive Director Ms. Zhu Xiaoxia is for a term of three years commencing from 31 December 2015 and the appointment of independent non-executive Director Mr. Lin Lijun is for a term of three years commencing from 23 March 2016, and the appointment of non-executive Director Ms. Wu Wen is for a term of three years commencing from 15 March 2018. Other than the five Directors above, the appointment of all other Directors is for a term of three years from 6 June 2017. The appointment of all Directors will terminate 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.

Five Board meetings and three general meetings were held during the year ended 31 December 2017. Attendance of each Director is set out as below:

Directors	Number of board meetings attended/eligible to attend	General meetings attended/eligible to attend
Ms. Wang Huimin[1]	5/5	3/3
Ms. Wu Wen[3]	3/5	0/3
Ms. Zhu Xiaoxia[2]	5/5	3/3
Ms. Wang Huili[4]	5/5	1/3
Mr. Weng Xiangwei	5/5	2/3
Mr. Wang Hairong[5,6]	4/4	0/3
Dr. Wu Chun Wah	5/5	2/3
Mr. Lui Wai Ming	5/5	2/3
Mr. Lin Lijun	5/5	0/3

Notes:

1 Ms. Wang Huimin abstained from voting for her interests in the matters to be approved at the one Board meeting.

2 Ms. Zhu Xiaoxia abstained from voting for her interests in the matters to be approved at the one Board meeting.

3. Ms. Wu Wen abstained from voting for her interests in the matters to be approved at the one Board meeting.

4. Ms. Wang Huili abstained from voting for her interests in the matters to be approved at the one Board meeting.

5. Mr. Wang Hairong abstained from voting for his interests in the matters to be approved at the one Board meeting.

6. Mr. Wang Hairong resigned as non-executive Director on 2 August 2017, and accordingly attended the Board meeting held before 2 August 2018.

Pursuant to Code Provision A.6.7 of the CG Code, all non-executive Directors of the Company should attend general meetings of the Company. Other than Ms. Wu Wen, Mr. Wang Hairong, Mr. Weng Xiangwei, Mr. Lui Wai Ming and Mr. Lin Lijun who did not attend the extraordinary general meeting of the Company held on 13 January 2017 due to other prior business engagements, other than Ms. Wu Wen, Ms. Wang Huili, Mr. Wang Hairong and Mr. Lin Lijun who did not attend the AGM of the Company held on 6 June 2017 and other than Ms. Wu Wen, Ms. Wang Huili, Mr. Wang Hairong and Mr. Lin Lijun who did not attend the extraordinary general meeting of the Company held on 6 June 2017 due to other prior business engagements, other non-executive Directors (including independent non-executive Directors) of the Company attended the abovementioned three general meetings.

CHAIRLADY AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairlady and chief executive officer ("CEO") should be separated and should not be performed by the same individual. At present, the roles of the chairlady and the CEO of the Company are performed by Ms. Wang Huimin as a result of the change of management members. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high-quality individuals and meets regularly to discuss issues relating to the operations of the Company. The Board has full confidence in Ms. Wang Huimin and believes that having Ms. Wang Huimin performing the roles of the chairman and the CEO enables the Group to make and implement decisions promptly and efficiently which is beneficial to the Company as a whole. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the CEO in the future.

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 AGM 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 one-third) shall retire from office by rotation. The retiring Directors are to be those longest in office since their last election or reappointment, but will be eligible for re-election. At the same time, article 83(3) of 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 AGM 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 AGM for the election.

In accordance with article 84 of the Articles of Association, Ms. Zhu Xiaoxia, Mr. Lui Wai Ming and Mr. Wu Chun Wah shall retire by rotation, and being eligible, offer themselves for re-election as Directors at the AGM.

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.

DIRECTORS' CONTINUOUS TRAINING

Pursuant to Code Provision A.6.5 of the CG Code, all Directors should participate in the continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2017, all Directors of the Company received regular updates on the Listing Rules and corporate governance matters (including Ms. Wang Huimin, Ms. Zhu Xiaoxia, Ms. Wu Wen, Ms. Wang Huili, Mr. Weng Xiangwei, Dr. Wu Chun Wah, Mr. Lui Wai Ming and Mr. Lin Lijun).

BOARD COMMITTEES

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. As at the date of this report, the Audit Committee comprised three independent non-executive Directors and one non-executive Director, Mr. Lui Wai Ming, Dr. Wu Chun Wah, Mr. Lin Lijun and Mr. Weng Xiangwei. Mr. Lui Wai Ming is Chairman of the Audit Committee.

The principal duties of the Audit Committee include:

- being 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 2017, the Audit Committee has held two meetings to review the annual results and financial statements for the year of 2016 as well as interim results and financial statements for the year of 2017 of the Company and its subsidiaries. The attendance record of the members of the Audit Committee is set out in the table below:

Directors	Number of meetings attended/ eligible to attend
Mr. Lui Wai Ming	2/2
Dr. Wu Chun Wah	2/2
Mr. Weng Xiangwei	2/2
Mr. Lin Lijun	2/2

The following was a summary of the primary work performed by the Audit Committee in 2017:

1. reviewed the Group's consolidated financial statements for the year ended 31 December 2016 and the annual results announcement with a recommendation to the Board for approval;

2. reviewed the Group's annual report for the year ended 31 December 2016 with a recommendation to the Board for approval;

3. reviewed the continuing connected transactions for the year ended 31 December 2016;

4. reviewed the internal audit report for the year 2016 submitted by the Group's Internal Audit Department;

5. reviewed the Group's consolidated financial statements for the six months period ended 30 June 2017 and the interim results announcement with a recommendation to the Board for approval; and

6. reviewed the Group's interim report for the six months period ended 30 June 2017 with a recommendation to the Board for approval.

Remuneration Committee

The Remuneration Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the Listing Rules and the CG Code. As at the date of this report, the Remuneration Committee comprised three independent non-executive Directors and one executive Director, Dr. Wu Chun Wah, Mr. Lui Wai Ming, Mr. Lin Lijun and Ms. Wang Huimin. Dr. Wu Chun Wah 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 2017, the Remuneration Committee held three 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/ eligible to attend
Dr. Wu Chun Wah	3/3
Ms. Wang Huimin	3/3
Mr. Lui Wai Ming	3/3
Mr. Lin Lijun	3/3

The following was a summary of the primary work performed by the Remuneration Committee in 2017:

1. reviewed the proposal on remuneration of independent non-executive Directors, with a recommendation to the Board for approval; and

2. reviewed the adjustment scheme of share options of the Company and plan of proposed distribution of share options to employees in 2017 and the approval of granting share options to the executive Directors, namely, Ms. Wang Huimin and Ms. Zhu Xiaoxia and to the independent non-executive Directors of the Company, namely, Dr. Wu Chun Wah, Mr. Lui Wai Ming, Mr. Lin Lijun.

Note: The Remuneration Committee is responsible for making recommendations to the Board on the remuneration package of individual executive directors and senior management.

Nomination Committee

The Nomination Committee was established on 30 August 2011 with its terms of reference formulated in accordance with the CG Code. As at the date of this report, the Nomination Committee comprised one executive Director and three independent non-executive Directors, namely Ms. Wang Huimin, Mr. Lui Wai Ming, Dr. Wu Chun Wah and Mr. Lin Lijun. Ms. Wang Huimin is the chairlady of the Nomination Committee. The principal 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 2017, the Nomination Committee has held two meeting. The attendance record of the members of the Nomination Committee is set out in the table below:

Directors	Number of meetings attended/ eligible to attend
Ms. Wang Huimin	2/2
Dr. Wu Chun Wah	2/2
Mr. Lui Wai Ming	2/2
Mr. Lin Lijun	2/2

The following was a summary of the primary work performed by the Nomination Committee in 2017:

1. reviewed the structure, size and composition of the Board;

2. reviewed the diversity of the Board. The Nomination Committee endorsed that the Board possessed a diversity of skills, expertise, experience and qualifications and believed that the Board performed its duties competently;

3. advised the issue of re-election of retiring Directors; and

4. assessed the independence of the independent non-executive Directors.

Note: The Nomination Committee reviewed the re-designation of Ms. Wu Wen from an executive Director to a non-executive Director in March 2018.

Risk Management Committee

The Risk Management Committee was established on 31 December 2015 with its terms of reference formulated in accordance with the Listing Rules. As at the date of this report, the Risk Management Committee comprised two executive Directors and one independent non-executive Director: Ms. Wang Huimin, Ms. Zhu Xiaoxia, and Dr. Wu Chun Wah. Ms. Wang Huimin is the chairlady of the Risk Management Committee. The principal duties of the Risk Management Committee overseeing the risk management system and risk tolerance capability of the Company, ensuring that the management has performed its duties to establish an effective internal control system, and considering major investigation findings on relevant risk management matters as delegated by the Board or on its own initiative and management's response to these findings.

For the year ended 31 December 2017, the attendance record of the members of the Risk Management Committee is set out in the table below:

Directors	Number of meetings attended/ eligible to attend
Ms. Wang Huimin	2/2
Ms. Zhu Xiaoxia	2/2
Dr. Wu Chun Wah	2/2

The following was a summary of the primary work performed by the Risk Management Committee in 2017:

1. reviewed the Group's risk management system, including risk, capital and liquidity management framework, the Group's risk tolerance capability, its risk policies and standards, and relevant risk limits, including the parameters used and the methodology adopted, and the processes used for identifying and assessing risks;

2. discussed the risk management system with the management and ensure that the management has performed its duties to establish an effective system. Discussion included the Company's resources for risk management, adequacy of qualifications and experiences of the employees, as well as adequacy of training courses and relevant budgets available to the employees;

3. reviewed material risk exposures of the Group, including market, credit, insurance, operational, liquidity, and economic and regulatory capital risks against the Group's risk measurement methodologies and management actions to monitor and control such exposures;

4. reviewed the standard for accurate and timely monitoring of material exposures and certain risk types of critical importance;

5. reviewed the scope and quality of management's ongoing monitoring of risks and the internal control systems, the work of the internal audit function;

6. reviewed the extent and frequency of communication of monitoring results which enables it to assess control of the Company and the effectiveness of risk management; and

7. reviewed and understood that there was no significant control failures or weaknesses identified.

Executive Committee

The Executive Committee was established on 30 August 2011. The Executive Committee comprised two executive Directors, Ms. Wang Huimin and Ms. Zhu Xiaoxia, Ms. Wang Huimin is chairlady of the Executive Committee. The principal duties of the Executive Committee include approving new Chinese cuisine brands of the Group, approving to add or change the general business projects within the scope of Chinese cuisine business, approving the connected transactions which meet the exemptions of de minimis transactions pursuant to the Listing Rules and other approval matters authorized by the Board.

For the year ended 31 December 2017, the Executive Committee did not hold any meeting.

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 2017, 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board confirms its overall responsibility for establishing and maintaining a sufficient and effective risk management and internal control system to achieve the Group's strategic objectives and safeguard Shareholders' investment and the Group's assets, and reviews relevant achievements through the Audit Committee and the Risk Management Committee on an annual basis. The Board also understands that the system aims at management (instead of elimination) of the risk of failure of achieving business goals, and can only give reasonable (and non-absolute) guarantee of free of material misrepresentation or loss.

The Company adopted the three lines of defence model in the management of risk. Operational management personnel form the first line of defence and serves as the directly risk bearers. They are responsible for identifying, reporting and preliminarily managing risks in the daily operations. The second line of defence consists of risk management and operation standards review personnel who are responsible for monitoring efficient implementation of internal control, assisting the person in charge of risks in defining remaining risks, and making sufficient information report to the Company. The internal audit function is the third line of defence and the relevant staff are mainly responsible for evaluating the effectiveness of internal control, identifying the flaws in internal control, making reasonable proposals for optimizing business process control, and supervising the implementation of corrective measures and conducting follow-up inspections. They are also responsible for reporting the work results on the effectiveness of internal control systems in the last period to the Audit Committee and the Risk Management Committee at the regular annual meetings.

In terms of risk control activities, the Company established effective control policies and procedures that are compatible with the actual business operations; distinguished the scope of rights and duties as well as examination and approval procedures for conducting business and activities, effectively separated incompatible jobs to form their own duties; and formed a rule-based mechanism with mutual supervision. In addition, the Company adopted a systematic approach to control relevant steps so to increase the reliability of control activities and help the Company achieve the stated control objectives. Moreover, the Company can continuously collect relevant information and data through its system, indicate the management and risk management departments identify internal and external risks, so as to make timely assessments and rapid response.

The Company will also continuously promote the design and implementation of good monitoring practices, and optimise the internal monitoring system. The Company constantly regulates its business operation process so as to reduce the possibility of risks, and reduce the effects of risk to an acceptable level, to facilitate the realisation of our operation, report and compliance goals.

The Board has reviewed the risk management and internal control systems annually.

The Board has conducted a review of the effectiveness of the internal control and risk management systems of the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget during the year ended 31 December 2017. The Board is of the opinion that the internal control and risk management systems of the Group are effective and adequate.

Inside information policy

The Board has adopted an inside information policy which contains the guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

COMPANY SECRETARY

Ms. Mok Ming Wai who possesses the requisite qualification and experience of a company secretary as required under Rule 3.28 and Rule 8.17 of the Listing Rules, was the company secretary of the Company for the year 2017.

Ms. Mok is a Director of TMF Hong Kong Limited and the head of listing services department, in performing her duties as the company secretary during the reporting period. For the year ended 31 December 2017, Ms. Mok Ming Wai has received not less than 15 hours of relevant professional training to update her knowledge and skill.

Under Code Provision F.1.1 of the CG Code, the company secretary should be an employee of the Company and have the day-to-day knowledge of the Company's affairs. Ms. Mok Ming Wai is not an employee of the Company.

Mr. Xue Hantao, the Deputy General Manager of Finance of the Company (in charge of Strategic Investment Department) and Ms. Jiang Shurong, Investor Relations Manager of the Strategic Investment Department of the Company, have been assigned as the main contact persons of the Company with Ms. Mok. Information in relation to the performance, financial position and other major developments and affairs of the Group is speedily delivered to Ms. Mok through the contact persons assigned.

REMUNERATION OF THE SENIOR MANAGEMENT

For the year ended 31 December 2017, the remuneration of senior management, other than the CEO, is listed as below by band:

Band of remuneration (HKD)	No. of person
HKD1,000,000 and below	1
HKD1,000,001 to HKD1,500,000	1

Further details of the remuneration of Directors and the 5 highest paid employees required to be disclosed under Appendix 16 to the Listing Rules have been set out in Notes 8 and 9 to the financial statements. The biographical details of the senior management are set out on page 49 of this annual report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the annual audit fees paid to the external auditors of the Company amounted to RMB3.0 million. The Company did not pay the external auditors any non-audit fees.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with shareholders is the 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 non-selective 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.tanshglobal.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 4F Building A8, No. 75, Lane 1688, North Guoquan Road, Yangpu District, Shanghai, China, attention to the Investor Relations Manager of the Strategic Investment Department Ms. Jiang Shurong.

Such meeting shall be held within two months after the deposit of such requisition. If the Board fails 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.

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, shareholders who wish to propose resolutions may follow article 58 of the Articles of Association for requisitioning an extraordinary general meeting and proposing a resolution at such meeting. The requirements and procedures are set out as above.

PROCEDURES BY WHICH ENQUIRIES MAY BE PUT TO THE BOARD

Shareholders can make enquiries to the Board by way of emails to: ir@tanshglobal.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 Listing Date. During the year ended 31 December 2017, the Company has not made any changes to its Memorandum and Articles of Association.

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.tanshglobal.com and the HKEx website at www.hkex.com.hk after the general meeting.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. WANG Huimin, aged 63, is the chairlady of the Board, CEO 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 31 years of experience in the restaurant industry, and is currently a member of Shanghai Committee of CPPCC (Chinese People's Political Consultative Conference), the vice president of the China Cuisine Association, vice president of the China Hotel Association, vice president of World Federation of Chinese Federation of Chinese catering industry, President of Shanghai Catering and Cooking Industry Association, the rotating chairman of New Shanghai Businessman Federation. Ms. Wang is one of the founders of Join Me Group (HK) Investment Company Limited and has been acting as a Director of JMU Limited (a company listed on the NASDAQ Stock Market, formerly known as Wowo Limited) since June 2015. Ms. Wang Huimin is the sister of Ms. Wang Huili.

Ms. ZHU Xiaoxia, aged 47, is an executive Director of the Company. She has been acting as the vice president of the China Hotel Association since March 2006, and the Co-Chairperson of JMU Limited (a company listed on the NASDAQ Stock Market, formerly known as Wowo Limited and is mainly engaged in the operation of B2B e-commerce platform that provides food and other commodity supply chain services in the catering and hotel industry) since June 2015. Ms. Zhu has extensive experience in restaurant industry for around 22 years. She is one of the founders of Join Me Group (HK) Investment Company Limited and has been its chairlady since 2013. She has also been the chairlady of Zhejiang Sunward Fishery Restaurant Group Co., Ltd. (浙江向陽漁港集團股份有限公司) since June 1998.

NON-EXECUTIVE DIRECTORS

Ms. WANG Huili, aged 60, is a non-executive Director of the Company. Ms. Wang Huili is a co-founder of the Group and has worked for Xiao Nan Guo restaurants for over 31 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.

Mr. WENG Xiangwei, aged 51, is a non-executive Director of the Company. 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.. 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 from January 2005 to January 2007. Mr. Weng also worked at Morgan Stanley's 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.

Ms. WU Wen, aged 49, is a non-executive Director of the Company since 15 March 2018 and is primarily responsible for 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WU Chun Wah, aged 53, is an independent non-executive Director of the Company. Dr. Wu has extensive experience in financial investment and corporate finance. He was an independent non-executive Director of FDB Holdings Limited (now renamed as Dafy Holdings Limited, a company listed on the main board of Hong Kong Stock Exchange, stock code: 1826) from November 2017 to January 2018. He was the executive Director and chief executive officer of Kirin Group Holdings Limited (麒麟集團控股有限公司, stock code: 8109), formerly known as Creative Energy Solutions Holdings Limited (科瑞控股有限公司), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, from July 2010 to December 2014. He was also the executive Director of Incutech Investments Limited (now known as DT Capital Limited 鼎立資本有限公司, stock code: 356), a company listed on the main board of The Stock Exchange of Hong Kong Limited, from November 2007 to July 2014. Since 30 June 2016, Dr. Wu has been appointed as an independent non-executive Director of Master Glory Group Limited (凱華集團有限公司) (a company listed on the main board of The Stock Exchange of Hong Kong Limited, stock code: 275). Dr. Wu holds a doctor degree in business administration and a master degree in corporate governance from the Hong Kong Polytechnic University. He also holds a master degree in business administration from Northeast Louisiana University, a diploma of China trade and investment from Beijing University, a diploma of China laws from Guangdong Economic Laws Research Centre and a postgraduate diploma in management from Asia International Open University. He is a fellow member of the Hong Kong Institute of Directors, member of the Hong Kong Securities Institute, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Mr. LUI Wai Ming, aged 48, is an independent non-executive Director of the Company. Mr. Lui has extensive experience in auditing, accounting, investment, financial and corporate management for over 20 years. Mr. Lui is the chief financial officer of Hosa International Limited (stock code: 2200), a company listed on the main board of the Stock Exchange, since August 2015. He was an independent non-executive Director of Tai Shing International (Holdings) Limited (stock code: 8103), a company listed on the Growth Enterprise Market of the Stock Exchange, from May 2014 to January 2016, and was an independent non-executive Director of Golden Shield Holdings (Industrial) Limited (in liquidation) (stock code: 2123), a company listed on the main board of the Stock Exchange, from January 2015 to May 2015, during the period he focused on investigation into the outstanding audit issues and the legal proceedings, and the company is currently under liquidation. Mr. Liu has been appointed as an independent non-executive Director of Ernest Borel Holdings Limited (stock code: 1856), a company listed on the Main Board of the Stock Exchange, from October 2017. Mr. Lui holds an Executive Master Degree in Business Administration from Cheung Kong Graduate School of Business in the People's Republic of China. Mr. Lui is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. LIN Lijun, aged 44, is an independent non-executive Director of the Company. Mr. Lin is the founder of China Universal Asset Management Co, Ltd (匯添富基金管理有限公司), an award-winning and diverse asset management company at which he had served as the chief executive officer until April 2015. Mr. Lin has extensive experience in investment management as well risk management. Mr. Lin is currently an independent non-executive Director of Shanghai Chengtou Holding Co., Ltd. (上海城投控股股份有限公司) (stock code: 600649), a company listed on the Shanghai Stock Exchange, and an independent non-executive Director of Yunfeng Financial Group Limited (stock code: 376), a company listed on the main board of the Stock Exchange formerly known as Reorient Group Limited. Mr. Lin Lijun served as a non-executive Director of Wenzhou Kangning Hospital Co., Ltd. (stock code: 2120), a company listed on the Main Board of the Stock Exchange, from 14 June 2017. In the past three years, he was also an independent Director of Shanda Games Limited (盛大遊戲有限公司), a company with its American depositary shares used to be listed on NASDAQ (symbol: GAME). Mr. Lin holds a master's degree in business administration from Harvard University, a bachelor's degree and a master's degree in economics from Fudan University respectively.

SENIOR MANAGEMENT

Ms. XU Dongsheng, aged 42, is a senior executive officer of the Company, who is responsible for the overall management of our catering brands. She joined the Group in December 2015 and primarily takes charge of the operation and management of Chinese cuisine and western food business group. Ms. Xu has over 17 years of experience in catering and integrated hotel management areas. Prior to joining the Company, she was a president of Zhejiang Sunward Fishery Restaurant Group Co., Ltd. (浙江向陽漁港集團股份有限公司) and also a president of Shanghai Dingyi Hotel Management Co., Ltd (上海小南國鼎怡酒店管理有限公司).

Mr. XUE Hantao, aged 41, is the deputy general manager of the Company and is mainly responsible for corporate finance, strategic investment and internal control. Prior to joining the Group, he used to be the chief financial officer of Wuxi Yingzhen Technology Co., Ltd. (無錫英臻科技有限公司), and the financial controller of GCL Holdings Group (協鑫控股集團). He used to work for Deloitte Touche Tohmatsu and other institutions and had many years of experience in corporate strategy, investment, and financial management. Mr. Xue received his master's degree in finance MBA from China Europe International Business School in June 2016.

CHANGE IN INFORMATION OF DIRECTORS

Ms. Wu Wen, who was an executive Director, has been re-designated to a non-executive Director on 15 March 2018 due to work arrangement.

Save as disclosed above and in this report, there is no changes in information of Directors required to be disclosed for the year ended 31 December 2017 pursuant to Rule 13.51B(1) of the Listing Rules.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the shareholders of TANSH Global Food Group Co., Ltd
(Formerly known as Xiao Nan Guo Restaurants Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of TANSH Global Food Group Co., Ltd (formerly known as Xiao Nan Guo Restaurants Holdings Limited) (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 51 to 143, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Estimates relating to impairment testing of property and equipment	
The Group operates restaurant chain stores in Chinese Mainland, Hong Kong and other regions. As at 31 December 2017, the carrying value of property and equipment including leasehold improvements and furniture, fixtures and equipment was RMB474,690,000. The valuation of these property and equipment is important to our audit due to the amount as well as the judgement involved in the assessment of the recoverability of the invested amounts. Such judgement focuses predominantly on future store performance, which is, amongst others, dependent on the expected store traffic, food and service quality, and the competitive landscape in local markets. Management assesses, on an annual basis, whether there are triggering events or indicators indicating potential impairment.As of 31 December 2017, the impairment of property and equipment amounted to RMB20,674,000. Further details are contained in Note 13 PROPERTY AND EQUIPMENT to the financial statements.	Our audit procedures included, amongst others, an evaluation of the Group's policies and procedures to identify indicators for potential impairment of assets related to underperforming stores. We also involved our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and long term growth rate. We paid specific attention to the forecasts with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective stores and the business development plan.
Estimation and disclosure with respect to deferred tax assets	
As of 31 December 2017, the deferred tax assets recognised in the consolidated statement of financial position amounted to RMB66,376,000. The deferred tax assets were recognised based on management's estimation of future taxable profits that would be available to utilise the deferred tax assets. As of 31 December 2017, deferred tax assets have not been recognised for accumulated tax losses of RMB163,395,000. The process of estimating the future taxable profits available was complex and involved estimates and judgements that were affected by future actual operation, tax regulations, market or economic conditions. Further details are contained in Note 26 DEFERRED TAX to the financial statements.	We evaluated and tested management assessment on available taxable profits by, among others, comparing to the Group's business plans approved by those charged with governance, expected future profit forecasts, associated growth rates, historical financial and tax information. We also involved our tax specialists in the review of the current tax position, tax planning strategies and potential tax reconciliation adjustments to check the compliance with tax regulations. We checked the relevant disclosures of deferred tax assets and unrecognised temporary differences.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Assessment of the carrying value of goodwill and acquired other intangible assets	
Under IFRSs, the Group is required to perform an impairment test for goodwill. The carrying value of goodwill and acquired other intangible assets (customer relationship, favourable contract and trademark) amounted to RMB12,645,000 and RMB28,834,000 as at 31 December 2017, respectively. The impairment test is based on the recoverable value of the respective cash-generating units ("**CGUs**") to which the goodwill or acquired other intangible assets are assigned. Management's assessment process is complex and highly judgemental, including the degree of subjectivity of expected future cash flow forecasts, associated growth rates and the discount rate applied. Further details are contained in Note 14 GOODWILL and Note 15 OTHER INTANGIBLE ASSETS to the financial statements.	Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group, in particular, the discount rate and long term growth rate. We assessed the useful lives of the acquired other intangible assets with definite lives to determine if they remained appropriate in the context of the expected future period of economic consumption. We paid specific attention to the forecasts with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective CGUs and the business development plan. We also focused on the adequacy of the Group's disclosures of goodwill and acquired other intangible assets.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the Directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The Directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Certified Public Accountants
Hong Kong

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	Year ended 31 December	
		2017	2016
		RMB'000	RMB'000
REVENUE	5	**1,911,974**	2,001,001
Cost of sales		**(516,660)**	(567,072)
Gross profit		**1,395,314**	1,433,929
Other income	5	**39,282**	46,665
Selling and distribution expenses		**(1,125,076)**	(1,217,982)
Administrative expenses		**(143,099)**	(164,484)
Other expenses		**(9,517)**	(23,693)
Finance costs	7	**(17,691)**	(14,023)
PROFIT BEFORE TAX	6	**139,213**	60,412
Income tax expense	10	**(37,275)**	(26,166)
PROFIT FOR THE YEAR		**101,938**	34,246
Attributable to:			
Owners of the parent		**101,677**	34,975
Non-controlling interests	31	**261**	(729)
		101,938	34,246
Earnings per share attributable to ordinary equity holders of the parent			
– Basic	12	**RMB4.6 cents**	RMB2.0 cents
– Diluted	12	**RMB4.6 cents**	RMB2.0 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
PROFIT FOR THE YEAR	**101,938**	34,246
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(10,566)**	19,813
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(10,566)**	19,813
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive loss:		
Changes in fair value	**(155,735)**	(122,928)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(155,735)**	(122,928)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(166,301)**	(103,115)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(64,363)**	(68,869)
Attributable to:		
Owners of the parent	**(59,070)**	(68,140)
Non-controlling interests	**(5,293)**	(729)
	(64,363)	(68,869)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property and equipment	13	**550,055**	675,545
Goodwill	14	**12,645**	13,532
Other intangible assets	15	**37,050**	43,707
Non-current financial assets	17	**67,755**	224,470
Long-term rental deposits	16	**95,052**	107,379
Deferred tax assets	26	**65,729**	80,407
Pledged deposits	22	**11,564**	40,000
Loan to a non-controlling shareholder	20	**44,386**	47,498
Other long-term receivables	20	**24,241**	30,413
Total non-current assets		**908,477**	1,262,951
CURRENT ASSETS			
Inventories	18	**34,257**	37,509
Trade receivables	19	**26,287**	26,654
Prepayments, deposits and other receivables	20	**196,420**	205,039
Financial asset at fair value through profit or loss	21	**226**	242
Pledged deposits	22	**151,910**	20,000
Cash and cash equivalents	22	**305,224**	233,390
Total current assets		**714,324**	522,834
CURRENT LIABILITIES			
Trade payables	23	**49,840**	66,841
Interest-bearing bank loans	25	**348,929**	203,532
Tax payable		**26,458**	21,365
Other payables and accruals	24	**126,268**	277,372
Deferred income		**2,800**	3,478
Total current liabilities		**554,295**	572,588
NET CURRENT ASSETS/(LIABILITIES)		**160,029**	(49,754)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,068,506**	1,213,197

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Long-term defer payment		**24,241**	30,413
Long-term payables	16	**78,158**	81,578
Interest-bearing bank loans	25	**64,573**	138,283
Deferred tax liabilities	26	**1,129**	481
Total non-current liabilities		**168,101**	250,755
Net assets		**900,405**	962,442
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**18,393**	18,393
Reserves	30	**815,194**	871,938
		833,587	890,331
Non-controlling interests	31	**66,818**	72,111
Total equity		**900,405**	962,442

Wang Huimin

Director

Zhu Xiaoxia

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

		Attributable to owners of the parent												
	Note	Issued capital RMB'000 (Note 28)	Share premium RMB'000 (Note 30)	Capital redemption reserves RMB'000 (Note 28)	Capital reserve RMB'000 (Note 30)	Merger reserve RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 30)	Share option reserve RMB'000 (Note 30)	Financial asset revaluation reserve RMB'000 (Note 30)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 31)	Total equity RMB'000
As of 1 January 2017		18,393	723,842	27	57,677	(69,246)	14,059	7,216	23,004	(120,886)	236,245	890,331	72,111	962,442
Profit for the year		–	–	–	–	–	–	–	–	–	101,677	101,677	261	101,938
Other comprehensive loss for the year:														
Changes in fair value of financial assets, net of tax		–	–	–	–	–	–	–	–	(155,735)	–	(155,735)	–	(155,735)
Exchange differences related to foreign operations		–	–	–	–	–	–	(5,012)	–	–	–	(5,012)	(5,554)	(10,566)
Total comprehensive loss for the year		–	–	–	–	–	–	(5,012)	–	(155,735)	101,677	(59,070)	(5,293)	(64,363)
Appropriation for reserve funds		–	–	–	–	–	664	–	–	–	(664)	–	–	–
Equity-settled share option arrangements	29	–	–	–	–	–	–	–	2,326	–	–	2,326	–	2,326
Transfer of share option reserve upon the forfeiture of share options		–	–	–	–	–	–	–	(1,188)	–	1,188	–	–	–
As of 31 December 2017		18,393	723,842*	27*	57,677*	(69,246)*	14,723*	2,204*	24,142*	(276,621)*	338,446*	833,587	66,818	900,405

	Note	Attributable to owners of the parent												
		Issued capital RMB'000 (Note 28)	Share premium RMB'000 (Note 30)	Capital redemption reserves RMB'000 (Note 28)	Capital reserve RMB'000 (Note 30)	Merger reserve RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 30)	Share option reserve RMB'000 (Note 30)	Financial asset revaluation reserve RMB'000 (Note 30)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000 (Note 31)	Total equity RMB'000
As of 1 January 2016		12,035	472,827	27	59,478	(69,246)	13,836	(12,597)	20,004	2,042	201,493	699,899	70,983	770,882
Profit/(Loss) for the year		–	–	–	–	–	–	–	–	–	34,975	34,975	(729)	34,246
Other comprehensive loss for the year:														
Changes in fair value of financial assets, net of tax		–	–	–	–	–	–	–	–	(122,928)	–	(122,928)	–	(122,928)
Exchange differences related to foreign operations		–	–	–	–	–	–	19,813	–	–	–	19,813	–	19,813
Total comprehensive loss for the year		–	–	–	–	–	–	19,813	–	(122,928)	34,975	(68,140)	(729)	(68,869)
Issue of shares		6,358	254,322	–	–	–	–	–	–	–	–	260,680	–	260,680
Acquisition of non-controlling interests		–	–	–	(1,801)	–	–	–	–	–	–	(1,801)	1,801	–
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	56	56
Shares issue expenses		–	(3,307)	–	–	–	–	–	–	–	–	(3,307)	–	(3,307)
Appropriation for reserve funds		–	–	–	–	–	223	–	–	–	(223)	–	–	–
Equity-settled share option arrangements	29	–	–	–	–	–	–	–	3,000	–	–	3,000	–	3,000
As of 31 December 2016		18,393	723,842*	27*	57,677*	(69,246)*	14,059*	7,216*	23,004*	(120,886)*	236,245*	890,331	72,111	962,442

* These reserve accounts comprise the consolidated reserves of RMB815,194,000 (2016: RMB871,938,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	Year ended 31 December	
		2017	2016
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**139,213**	60,412
Adjustments for:			
Finance costs	7	**17,691**	14,023
Interest income	5	**(5,130)**	(4,133)
Dividend income from non-current financial assets	5	**(800)**	(800)
Depreciation	13	**148,340**	168,374
Amortisation of other intangible assets	15	**4,824**	4,443
Loss on disposal of items of property and equipment	6	**6,232**	9,113
Loss on acquisition of a non-current financial asset	6	**–**	4,031
Loss on disposal of a subsidiary	6	**–**	2,621
(Reversal of impairment provision)/impairment provision for property and equipment	6	**(11,940)**	2,019
Equity-settled share option expense	6	**2,326**	3,000
		300,756	263,103
Decrease in inventories		**3,252**	16,050
Decrease/(increase) in trade receivables		**367**	(3,309)
Increase in prepayments, deposits and other receivables		**(14,681)**	(18,589)
Decrease in trade payables		**(16,201)**	(48,377)
Decrease in other payables and accruals		**(37,745)**	(12,433)
Decrease/(increase) in long-term rental deposits		**12,327**	(8,861)
(Decrease)/increase in long-term payables		**(3,420)**	10,207
Decrease in deferred income		**(678)**	(1,743)
Cash generated from operations		**243,977**	196,048
Income tax paid		**(17,093)**	(16,581)
Net cash flows from operating activities		**226,884**	179,467

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(38,471)**	(136,260)
Purchases of items of other intangible assets		**(256)**	–
Proceeds from disposal of non-current assets		**1,000**	–
Purchase of non-current financial assets		**(104,703)**	(216,948)
Disposal of a subsidiary		**–**	625
Payment for acquisition of a subsidiary		**(3,542)**	(1,789)
Interest received		**5,130**	4,133
Net cash flows used in investing activities		**(140,842)**	(350,239)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**27,978**	232,373
Share issue expenses		**–**	(3,307)
(Increase)/decrease in pledged time deposits		**(103,474)**	20,000
Repayment of bank loans		**(205,855)**	(318,139)
Proceeds from new bank loans		**280,116**	321,000
Interest paid		**(17,944)**	(14,023)
Net cash flows (used in)/from financing activities		**(19,179)**	237,904
NET INCREASE IN CASH AND CASH EQUIVALENTS		**66,863**	67,132
Cash and cash equivalents at beginning of year		**233,390**	169,024
Effect of foreign exchange rate changes, net		**4,971**	(2,766)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**305,224**	233,390
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**304,656**	219,737
Time deposits with maturity of less than three months, not pledged	22	**568**	13,653
Cash and cash equivalents as stated in the statement of cash flows		**305,224**	233,390

1. CORPORATE AND GROUP INFORMATION

TANSH Global Food Group Co., Ltd (formerly known as Xiao Nan Guo restaurants holdings Limited) is a limited liability company incorporated in the Cayman Islands. The registered office is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of chain restaurants in Chinese Mainland, Hong Kong and other regions. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is TANSH Global Food Group Co., Ltd, which is incorporated in the Cayman Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities 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)
Beijing Xiao Nan Guo Restaurant Management Co., Ltd. 北京小南國餐飲管理有限公司	PRC	RMB1,500	–	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)

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities Notes
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)
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)

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities Notes
Wuxi Hui Zhi Nan Restaurant Co., Ltd. 無錫慧之南餐飲有限公司	PRC	RMB500	–	100	(1)
Chengdu Hui Zhi Nan Restaurant Co., Ltd. 成都慧之南餐飲管理有限公司	PRC	RMB4,500	–	100	(1)
Shenyang Xiao Nan Guo Restaurant Co., Ltd. 瀋陽小南國餐飲管理有限公司	PRC	RMB500	–	100	(1)
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 Oreno Restaurant Management Co., Ltd. 上海俺的小南國餐飲管理有限公司	PRC	RMB7,000	–	100	(1)
Shanghai Huijie Restaurant Management Co., Ltd. 上海慧捷餐飲管理有限公司	PRC	RMB30,000	–	100	(1)
Shanghai Xiao Nan Guo Rifeng Restaurant Management Co., Ltd. 上海小南國日豐餐飲管理有限公司	PRC	RMB20,000	–	100	(1)
Shanghai Chuanjie Restaurant Management Co., Ltd. 上海船捷餐飲管理有限公司	PRC	RMB30,000	–	100	(1)
Shanghai Nan Xiao Guan Restaurant Management Co., Ltd. 上海南小館餐飲管理有限公司	PRC	RMB10,000	–	100	(1)
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	(2)

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities Notes
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)
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 小南国管理(九龙)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)
Million Rank (HK) Limited (Formerly named Pokka Corporation (HK) Limited)	Hong Kong	HK$16,000	–	65	(4)
Million Rank (Macau) Limited (Formerly named Pokka Coffee (Macau) Ltd.)	Macau	MOP200	–	65	(5)
Xiao Nan Guo Holdings Limited 小南國控股有限公司	Hong Kong	HK$330.2	–	100	(6)
Xiao Nan Guo Holdings Limited	BVI	US$10	100	–	(6)
Xiao Nan Guo (Hong Kong) Restaurant Group Limited	BVI	US$0.00001	100	–	(6)

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital '000	Percentage of equity attributable to the Company Direct	Indirect	Principal activities Notes
King Merit Corporation Limited 煌智有限公司	Hong Kong	HK$0.01	–	100	(6)
Oreno Xiao Nan Guo International (Hong Kong) Limited	Hong Kong	HK$7,600	–	100	(6)
Shanghai Mizhilian Restaurant Management Co., Ltd. 上海米芝蓮餐飲管理有限公司	PRC	RMB200	–	50	(7)
Shanghai Yan Meng Information and Technology Development Co., Ltd. 上海焱萌信息科技發展有限公司	PRC	RMB10,000	–	100	(8)

Notes of the principal activities:

(1) Operation of restaurant chain stores in Chinese Mainland
(2) Trading and sale of pre-packaged food in the PRC
(3) Restaurant management and operation of Chinese restaurant chain stores in Chinese Mainland
(4) Operation of restaurant chain stores in Hong Kong
(5) Operation of restaurant chain stores in Macau
(6) Investment holding
(7) Rendering of management services and franchise operation
(8) Rendering of IT technology services and sale of software

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss and equity investments 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.

2.1 BASIS OF PREPARATION *(continued)*

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 2017. 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 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 above. 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 for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

None of the above amendments to IFRSs has had a significant financial effect on these financial statements. Disclosure has been made in Note 32 (b) to the financial statements upon the adoption of amendments to IAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has early adopted IFRS 9 *Financial Instruments* on 1 January 2016. The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IFRS 1 *Improvements 2014-2016 Cycle*	Amendments to IFRS 1 and IAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but is available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

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

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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 previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

IFRS 15, issued in May 2014, establishes a new five-step model to account for 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group's principal activities are principally engaged in the operation of chain restaurants in Chinese Mainland, Hong Kong and other regions. During 2017, the Group has performed a detailed assessment on the impact of the adoption of IFRS 15. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material. And the expected changes in accounting policies will have immaterial impact on the Group's financial statements from 2018 onwards.

IFRS 16, issued in January 2016, replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in Note 33 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB1,058,162,000. Upon adoption of IFRS16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to IAS 28 issued in October 2017 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

Amendments to IAS 40, issued in December 2016, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRIC 22, issued in December 2016, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

IFRIC-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

In January 2018, the IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace the existing IFRS 4 Insurance Contracts. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach)

- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The standard is not expected to have any impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(continued)*

Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017, sets out amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23. The Group expects to adopt the amendments from 1 January 2019. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments are as follows:

- IFRS 3 *Business Combinations:* Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value.

- IFRS 11 *Joint Arrangements:* Clarifies that when an entity that participates in, but does not have joint control of a joint operation, obtains joint control over that joint operation that is a business, it does not remeasure the interest it previously held in that joint operation.

- IAS 12 *Income Taxes:* Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividend.

- IAS 23 *Borrowing Costs:* Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sales are complete.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 is measured at fair value with changes in fair value either recognised in profit or loss. 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.

Fair value measurement

The Group measures its share option and certain financial assets 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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;and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

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.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

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.

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 rates	Estimated residual values
Leasehold land and building	2%	0%
Furniture, fixtures and equipment	20%	5%
Motor vehicles	20%	5%
Leasehold improvements	Over the shorter of lease terms and estimated useful life	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)*

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other 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.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

	Annual rates	Estimated residual values
Software	10%-20%	0%
Favourable contract	4%	0%
Trademark	5%	0%
Customer relationship	10%	0%

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

The Group initially recognises financial assets at which the Group becomes a party to the contractual provisions of the instruments.

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are classified, at initial recognition, as debt instruments at amortised cost, debt instruments, derivatives and equity instruments at fair value through profit or loss and equity instruments designated as at fair value through other comprehensive income (with gains and losses remaining in other comprehensive income, without recycling).

This classification depends on whether the financial asset is a debt or equity investment. A financial asset is classified as a debt instrument at amortised cost, if:

(a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

All other financial assets are measured at fair value through profit or loss, except that, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses in other comprehensive income.

At initial recognition, the Group measures a financial as set at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial as sets carried at fair value though profit or loss are expensed in the statement of profit or loss.

Subsequent measurement

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

Debt instruments at amortised cost

A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process using the effective interest rate method.

Debt instruments, derivatives and equity instruments at fair value through profit or loss

A gain or loss on a debt investment, derivatives and equity instruments that are subsequently measured at fair value and is not part of a hedging relationship is recognised in profit or loss and presented in the statement of profit or loss in the period in which they arise.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement *(continued)*

The subsequent measurement of financial assets depends on their classification as follows: *(continued)*

Equity instruments designated as at fair value through other comprehensive income

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

The Group is required to reclassify all affected debt investments when and only when its business model for managing those assets changes.

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

When the Group has transferred its rights to receive cashflows 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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 consolidated 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 consolidated statement of profit or loss.

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, interest-bearing bank loans, other loans, and other financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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 IFRS 9. 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 consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated 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 IFRS 9 are satisfied. No financial liabilities have been designated at fair value through profit or loss by the Group.

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 consolidated 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 consolidated statement of profit or loss.

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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sales, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. 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.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

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 consolidated 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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:

- 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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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) membership fee income, on a time and value proportion basis over the membership period;

(d) management fee from franchisee, is recognised when management services are rendered;

(e) dividend income from non-current financial assets, is recognised when the right to receive payment has been established; and

(f) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 29 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions 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 schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and charged to the 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 Chinese Mainland 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 27 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.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 2% and 9% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 subsidiaries are 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 judgements, 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 owning rights to variable returns from its involvement with Mizhilian and owning the ability to affect those returns through its power over Mizhilian.

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

The Group considers that it lacks 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 Yancheng Guanhua's board of Directors and cannot exercise significant influence on its financial and operating decisions.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2017 was RMB12,645,000 (2016: RMB13,532,000). Further details are included in Note 14.

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

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life other intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 13 to the financial statements.

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 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 recognised tax losses at 31 December 2017 and 2016 were RMB25,468,000 and RMB35,238,000, respectively. Further details are included in Note 26 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.

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

Estimation uncertainty *(continued)*

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2017 was RMB14,000,000 (31 December 2016: RMB14,100,000), which was equal to related investment costs. Further details are included in Note 17.b to the financial statements.

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

On 7 January 2015, since the Group completed the acquisition of Million Rank (HK) Limited and its subsidiary Million Rank (Macau) Ltd. (collectively referred to as "**POKKA HK**"), the Group has the following two reportable operating segments based on their brands and services:

(a) TANSH Global Business (including main brands: Shanghai Min, Maison De L'Hui, the dining room, Oreno, Wolfgang Puck and the BOATHOUSE)

(b) POKKA HK Business (the business acquired in January 2015 which includes main brands: Pokka Café and Tonkichi)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, equity-settled share option expense, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank loans, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2017

	TANSH Global RMB'000	POKKA HK RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,637,197	274,777	1,911,974
Revenue from continuing operations			1,911,974
Segment results	160,971	1,120	162,091
Reconciliation:			
Elimination of intersegment results			60
Dividend income from non-current financial assets			800
Equity-settled share option expense			(2,326)
Interest income			2,242
Finance costs			(17,691)
Corporate and other unallocated expenses			(5,963)
Profit before tax			139,213
Segment assets	670,706	452,584	1,123,290
Reconciliation:			
Elimination of intersegment receivables			(35,142)
Corporate and other unallocated assets			534,653
Total assets			1,622,801
Segment liabilities	261,255	55,194	316,449
Reconciliation:			
Elimination of intersegment payables			(35,142)
Corporate and other unallocated liabilities			441,089
Total liabilities			722,396
Other segment information:			
Depreciation and amortisation	135,083	18,081	153,164
Capital expenditure*	25,002	4,788	29,790

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2016

	TANSH Global RMB'000	POKKA HK RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,691,237	309,764	2,001,001
Revenue from continuing operations			2,001,001
Segment results	75,663	2,937	78,600
Reconciliation:			
Elimination of intersegment results			60
Dividend income from non-current financial assets			800
Equity-settled share option expense			(3,000)
Interest income			4,133
Finance costs			(14,023)
Loss on disposal of a subsidiary			(2,621)
Corporate and other unallocated expenses			(3,537)
Profit before tax			60,412
Segment assets	952,326	493,671	1,445,997
Reconciliation:			
Elimination of intersegment receivables			(34,251)
Corporate and other unallocated assets			374,039
Total assets			1,785,785
Segment liabilities	383,769	110,164	493,933
Reconciliation:			
Elimination of intersegment payables			(34,251)
Corporate and other unallocated liabilities			363,661
Total liabilities			823,343
Other segment information:			
Depreciation and amortisation	149,657	23,160	172,817
Capital expenditure*	131,640	8,878	140,518

* Capital expenditure consists of additions to property and equipment, and other intangible assets (including assets from the acquisition of a subsidiary).

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Chinese Mainland	**1,373,308**	1,374,891
Hong Kong	**526,891**	607,533
Others	**11,775**	18,577
	1,911,974	2,001,001

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

(b) Non-current assets

	31 December	31 December
	2017	2016
	RMB'000	RMB'000
Chinese Mainland	**470,869**	593,265
Hong Kong	**223,273**	246,129
Others	**660**	769
	694,802	840,163

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

Information about a major customer

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2017 and 2016, segment information is not presented in accordance with IFRS 8 Operating Segments.

5. REVENUE AND OTHER INCOME

Revenue, represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, net of sales taxes and surcharges.

An analysis of revenue and other income is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue		
Restaurant operations	**1,888,517**	1,982,795
Other revenue	**23,457**	18,206
	1,911,974	2,001,001
Other income		
Government grants*	**7,639**	25,373
Dividend income from non-current financial assets	**800**	800
Membership fee income	**7,354**	5,849
Bank interest income	**5,130**	4,133
Management fee income	**2,691**	3,230
Foreign exchange differences, net	**–**	595
Compensation income for a store with operation early terminated	**2,170**	4,900
Reversal of impairment provision for property and equipment	**11,940**	–
Others	**1,558**	1,785
	39,282	46,665

* There is no unfulfilled conditions or contingencies attaching to government grants that had been recognized.

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cost of inventories consumed		**516,660**	567,072
Depreciation	13	**148,340**	168,374
Amortisation of other intangible assets	15	**4,824**	4,443
Minimum lease payments under operating leases on buildings		**350,008**	368,272
Auditor's remuneration		**3,000**	4,700
Employee benefit expense (including Directors' and chief executive's remuneration (Note 8):			
Wages and salaries		**428,781**	455,796
Equity-settled share option expense		**2,326**	3,000
Defined contribution pension schemes		**91,341**	112,836
		522,448	571,632
Foreign exchange differences, net		**619**	(595)
Bank interest income	5	**(5,130)**	(4,133)
Loss on disposal of items of property and equipment		**6,232**	9,113
(Reversal)/provision of impairment for property and equipment*		**(11,940)**	2,019
Loss on acquisition of a non-current financial asset		**–**	4,031
Loss on disposal of a subsidiary**		**–**	2,621

* Impairment provision for property and equipment is included in "Other expenses" in the consolidated statement of profit or loss. Reversal of impairment provision for property and equipment is included in "Other income" in the consolidated statement of profit or loss.

** Loss on disposal of a subsidiary is included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Interest on bank loans	**17,944**	14,937
Less: Interest capitalised	**(253)**	(914)
	17,691	14,023

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383 (1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Fees	**750**	691
Other emoluments:		
Salaries, allowances and benefits in kind	**3,000**	1,039
Equity-settled share-based payment	**–**	–
Pension scheme contributions	**–**	–
	3,000	1,039
	3,750	1,730

(a) Independent non-executive Directors

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Mr. Wu Chun Wah	**250**	249
Mr. Lui Wai Ming	**250**	249
Mr. Lin Lijun	**250**	193
	750	691

During the year ended 31 December 2017, 3,000,000 share options were granted to Mr. Wu Chun Wah, Mr. Lui Wai Ming, and Mr. Lin Lijun in respect of their services to the Group, further details of which are set out in Note 29 to the financial statements. Except for those options granted to Mr. Wu Chun Wah, Mr. Lui Wai Ming and Mr. Lin Lijun, there were no emoluments payable to the independent non-executive Directors in 2017 and 2016.

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 2017				
Executive Directors:				
Ms. Wang Huimin	3,000	–	–	3,000
Ms. Wu Wen	–	–	–	–
Ms. Zhu Xiaoxia	–	–	–	–
	3,000	–	–	3,000
Year ended 31 December 2016				
Executive Directors:				
Ms. Wang Huimin	1,039	–	–	1,039
Ms. Wu Wen	–	–	–	–
Ms. Zhu Xiaoxia	–	–	–	–
	1,039	–	–	1,039

Mr. Wang Huimin is also the chief executive of the Group and her remuneration disclosed above includes the remuneration for services rendered by her as the chief executive.

During the year ended 31 December 2017, 12,000,000 share options were granted to Mr. Wang Huimin and Mr. Zhu Xiaoxia in respect of their services to the Group, further details of which are set out in Note 29 to the financial statements.

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 and Mr. Weng Xiangwei were appointed as non-executive Directors in 2010. Mr. Wang Hairong was appointed as a non-executive Director in 2012 and resigned on 2 August 2017. There were no fees or other emoluments payable to them during the years ended 31 December 2017 and 2016.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one Director (also the chief executive) for the years ended 31 December 2017 and 2016, details of whose remuneration are set out in Note 8 above. Details of the remuneration for the year of the remaining four (2016: four) highest paid employees who are neither a Director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,600**	2,202
Equity-settled share-based payment	**17**	87
Pension scheme contributions	**346**	209
	2,963	2,498

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	
	2017	2016
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	1
	4	4

During the year ended 31 December 2017, 4,162,400 share options were granted to three 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 29 to the financial statements.

10. INCOME TAX

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current – Chinese Mainland charged for the year	**16,941**	16,063
Current – Hong Kong and elsewhere charged for the year	**5,245**	4,857
Deferred tax (Note 26)	**15,089**	5,246
Total tax charge for the year	**37,275**	26,166

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%.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 Macau Complementary Tax ("**MCT**") Law, taxable profits below MOP600,000 are exempted from tax, and taxable profits over MOP600,000 are subject to tax at 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 rate is as follows:

	2017 **RMB'000**	2016 RMB'000
Profit before tax	**139,213**	60,412
Tax at the statutory tax rate of 25% (2016: 25%)	**34,803**	15,103
Lower tax rates for specific provinces or enacted by local authorities	**(187)**	(346)
Income not subject to tax	**(209)**	(135)
Expenses not deductible for tax	**983**	7,339
Tax losses not recognised during the year	**3,221**	13,246
Temporary differences not recognised during the year	**–**	548
Tax losses from previous periods utilised during the year	**(1,336)**	(9,589)
	37,275	26,166

11. DIVIDENDS

	2017 **RMB'000**	2016 RMB'000
Proposed final – RMB1.0 cents per ordinary share	**22,055**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming AGM.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the consolidated profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 2,205,531,000 (31 December 2016: 1,793,678,450).

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. 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 Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**101,677**	34,975
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation*	**2,205,531,000**	1,793,678,450
Effect of dilution – weighted average number of ordinary shares**:		
Share options	**–**	–
Number of ordinary shares used in the diluted earnings per share calculation	**2,205,531,000**	1,793,678,450

* Not taking into account the 7,500,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

** Since the exercise prices of these options exceed the average market price of ordinary shares during the year, there was no dilutive effect as of 31 December 2017 and 2016.

13. PROPERTY AND EQUIPMENT

	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017						
At 31 December 2016 and 1 January 2017:						
Cost	83,234	1,052,985	298,965	7,647	9,417	1,452,248
Accumulated depreciation	(5,193)	(522,702)	(201,761)	(4,791)	–	(734,447)
Impairment	–	(33,305)	(8,951)	–	–	(42,256)
Net carrying amount	78,041	496,978	88,253	2,856	9,417	675,545
At 1 January 2017, net of						
Accumulated depreciation	78,041	496,978	88,253	2,856	9,417	675,545
Additions	–	14,073	14,429	–	1,032	29,534
Depreciation provided during the year	(2,282)	(111,342)	(34,210)	(506)	–	(148,340)
Disposals	–	(6,314)	(1,650)	(18)	–	(7,982)
Impairment reversal	–	10,175	1,765	–	–	11,940
Transfers	–	8,066	12	–	(8,078)	–
Exchange realignment	(5,035)	(4,094)	(1,442)	(71)	–	(10,642)
At 31 December 2017, net of accumulated depreciation and impairment	70,724	407,542	67,157	2,261	2,371	550,055
At 31 December 2017:						
Cost	77,781	1,000,163	291,929	7,192	2,371	1,379,436
Accumulated depreciation	(7,057)	(577,067)	(219,661)	(4,922)	–	(808,707)
Impairment	–	(15,554)	(5,120)	–	–	(20,674)
Net carrying amount	70,724	407,542	67,148	2,270	2,371	550,055

13. PROPERTY AND EQUIPMENT *(continued)*

	Leasehold land and building RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016						
At 31 December 2015 and 1 January 2016:						
Cost	77,958	971,110	274,919	6,609	8,560	1,339,156
Accumulated depreciation	(2,361)	(377,851)	(155,031)	(4,112)	–	(539,355)
Impairment	–	(63,987)	(14,102)	–	–	(78,089)
Net carrying amount	75,597	529,272	105,786	2,497	8,560	721,712
At 1 January 2016, net of						
Accumulated depreciation	75,597	529,272	105,786	2,497	8,560	721,712
Additions	–	69,283	16,121	960	43,567	129,931
Depreciation provided during the year	(2,514)	(125,713)	(39,489)	(658)	–	(168,374)
Disposals	–	(13,035)	(2,859)	(5)	–	(15,899)
Disposal of a subsidiary	–	(506)	(591)	–	–	(1,097)
Impairment provision	–	(1,717)	(302)	–	–	(2,019)
Transfers	–	34,876	7,834	–	(42,710)	–
Exchange realignment	4,958	4,518	1,753	62	–	11,291
At 31 December 2016, net of accumulated depreciation and impairment	78,041	496,978	88,253	2,856	9,417	675,545
At 31 December 2016:						
Cost	83,234	1,052,985	298,965	7,647	9,417	1,452,248
Accumulated depreciation	(5,193)	(522,702)	(201,761)	(4,791)	–	(734,447)
Impairment	–	(33,305)	(8,951)	–	–	(42,256)
Net carrying amount	78,041	496,978	88,253	2,856	9,417	675,545

As at 31 December 2017, the building of Million Rank (HK) Limited, of which the Company indirectly holds a 65% equity interest, with a net carrying amount of approximately RMB70,724,000 (31 December 2016: RMB78,041,000) was pledged to secure bank loans granted to Million Rank (HK) Limited (Note 25).

As at 31 December 2017, the balance of impairment provision was RMB20,674,000, which included RMB9,642,000 that has been written off during the year with disposal (2016: RMB37,852,000) and an impairment reversal of RMB11,940,000 in the year ended 31 December 2017 (2016: RMB2,666,000) and no impairment provision was recognised in the year ended 31 December 2017 (2016: RMB4,685,000).

As at 31 December 2017,the recoverable amount of the assets for which impairment provision was reversed during the year is the value in use of RMB21,240,000.

14. GOODWILL

	RMB'000
At 1 January 2016:	
Cost	12,674
Accumulated impairment	–
Net carrying amount	12,674
Cost at 1 January 2016, net of accumulated impairment	12,674
Exchange realignment	858
At 31 December 2016	13,532
At 31 December 2016:	
Cost	13,532
Accumulated impairment	–
Net carrying amount	13,532
At 1 January 2017:	
Cost	**13,532**
Accumulated impairment	**–**
Net carrying amount	**13,532**
Cost at 1 January 2017, net of accumulated impairment	
Exchange realignment	**(887)**
At 31 December 2017	**12,645**
At 31 December 2017:	
Cost	**12,645**
Accumulated impairment	**–**
Net carrying amount	**12,645**

14. GOODWILL *(continued)*

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the POKKA HK Business, from which the goodwill was resulted. The POKKA HK Business is treated as a cash-generating unit for impairment testing.

POKKA HK Business cash-generating unit

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14% (2016: 14%). The growth rate used to extrapolate the cash flows of the POKKA HK Business beyond the five-year period is 2% (2016: 3%).

Assumptions were used in the value in use calculation of the POKKA HK Business cash-generating unit for 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue from restaurant operations – The basis used to determine the value assigned to revenue from restaurant operations is the average revenue of the POKKA HK Business achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Budgeted operating expenses – the bases used to determine the values assigned are cost of inventories consumed, staff costs, depreciation, amortisation and other operating expenses. The values assigned to the key assumptions reflect past experience and management's commitment to maintain its operating expenses at an acceptable level.

Discount rates – The discount rates used are before tax and reflect specific risks relating to this unit.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to materially exceed the recoverable amount.

15. OTHER INTANGIBLE ASSETS

31 December 2017	**Customer relationship RMB'000**	**Favourable contract RMB'000**	**Trademark RMB'000**	**Software RMB'000**	**Total RMB'000**
Cost at 1 January 2017, net of accumulated amortisation	**6,149**	**15,912**	**10,857**	**10,789**	**43,707**
Additions	**–**	**–**	**–**	**256**	**256**
Amortisation provided during the year	**(743)**	**(669)**	**(583)**	**(2,829)**	**(4,824)**
Exchange realignment	**(378)**	**(1,019)**	**(692)**	**–**	**(2,089)**
At 31 December 2017	**5,028**	**14,224**	**9,582**	**8,216**	**37,050**

31 December 2016	Customer relationship RMB'000	Favourable contract RMB'000	Trademark RMB'000	Software RMB'000	Total RMB'000
Cost at 1 January 2016, net of accumulated amortisation	6,479	15,608	10,734	2,647	35,468
Additions	–	–	–	10,587	10,587
Amortisation provided during the year	(744)	(670)	(584)	(2,445)	(4,443)
Exchange realignment	414	974	707	–	2,095
At 31 December 2016	6,149	15,912	10,857	10,789	43,707

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. NON-CURRENT FINANCIAL ASSETS

	Notes	31 December 2017 RMB'000	31 December 2016 RMB'000	% of equity interest hold by the Group
U.S. listed equity investments, at fair value through other comprehensive income:				
JMU Limited (formerly known as Wowo Limited)	a	**52,547**	205,640	9.82%
Zhongju Limited Partnership Enterprise	a	**1,208**	4,730	2.943%
		53,755	210,370	
Unlisted equity investments, at fair value through other comprehensive income:				
Shanghai Pudong Xiao Nan Guo Casual Dining Management Co., Ltd.	b	**–**	100	–
Yancheng Guanhua Aquatic Products Co., Ltd.	b	**10,000**	10,000	24.01%
Shanghai Zhong Hong Kuai Jian Brand Management Co., Ltd.	b	**4,000**	4,000	16.67%
		14,000	14,100	
		67,755	224,470	

17. NON-CURRENT FINANCIAL ASSETS *(continued)*

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

a. In 2015, Shanghai Xiao Nan Guo Restaurant Co., Ltd., an indirect wholly-owned subsidiary of the Company, the general partner of Zhongju Limited Partnership Enterprise ("**Zhongmin GP**") and other investors, which are independent third parties of the Company (the "**Other Zhongju Investors**") entered into a limited partnership agreement ("**Zhongju LP Agreement**") for the establishment of the Zhongju Limited Partnership Enterprise ("**Zhongju LPE**"), and pursuant to which Shanghai Xiao Nan Guo (as one of the limited partners) agreed to invest RMB3,168,000 in Zhongju LPE (representing approximately 2.943% of the relevant total partners' capital, equivalent to 0.44% of the issued share capital of JMU Limited (Formerly know as Wowo Limited). A decrease in fair value for the year ended 31 December 2017 of RMB2,642,000 (2016: decrease in fair value of RMB870,000) was recognised in other comprehensive loss. An accumulated decrease in fair value as of 31 December 2017 with an amount of RMB1,470,000 (31 December 2016: increase of RMB1,172,000) was recognised in other comprehensive loss.

   The Group entered into the share purchase agreement dated 7 June 2016 to acquire an aggregate of 141,914,880 ordinary shares of JMU Limited (Formerly know as Wowo Limited), representing approximately 9.82% of the issued share capital of JMU Limited (Formerly know as Wowo Limited) at HK$2.60 per share, for an aggregate consideration of HK$368,396,837. The completion of the acquisition is conditional upon the completion of the Rights Issue, which was completed on 18 July 2016 and with details stated in Note 28. The net proceeds raised from the Rights Issue will be used to pay the consideration of the acquisition. On 8 August 2016, the circular in connection with the acquisition was issued by the Company. The transaction had been approved by the extraordinary general meeting of the Company held on 24 August 2016. On 8 September 2016, the transaction was completed and initially recognised as RMB327,698,000 after netting off an investment loss of RMB4,031,000. After this acquisition, the Group held approximately 10.26% of the issued share capital of JMU Limited (Formerly know as Wowo Limited) in total.

   Management designated the equity investment as a financial asset at fair value through other comprehensive income upon initial application of IFRS 9 on 1 January 2016, as management considered it a strategic investment for developing the food-industry B2B business in the future. The fair value of the listed equity securities is determined by reference to published quotation as at 31 December 2017. A decrease in fair value for the year ended 31 December 2017 of RMB153,093,000 (2016:RMB122,058,000) was recognised in other comprehensive loss. An accumulated decrease in fair value as of 31 December 2017 with an amount of RMB275,151,000 (31 December 2016: RMB122,058,000) was recognised in other comprehensive loss.

17. NON-CURRENT FINANCIAL ASSETS *(continued)*

b. On 29 June 2013, the Group acquired a 24.01% equity interest in an unlisted aquatic company with approximately RMB10,000,000. As stated in Note 3, the Group considers that it lacks significant influence on Yancheng Guanhua even though it owns more than 20% of the voting rights. This is because the Group has failed to obtain representation on Yancheng Guanhua's board of Directors and cannot exercise significant influence on its financial and operating decisions. In 2017, Yancheng Guanhua declared dividends of RMB800,000 to the Company. The prepayment balance of RMB1,673,000 (31 December 2016: RMB2,516,000) to Yancheng Guanhua was included in prepayments, deposits and other receivables as at 31 December 2017.

On 15 July 2015, the Group acquired a 20% equity interest in Shanghai Zhong Hong Kuai Jian Brand Management Co.,Ltd., an unlisted brand management company with approximately RMB4,000,000. The equity investment was subsequently diluted to 16.67% due to share capital injection from other investors.

On 4 January 2006, the Group acquired a 10% equity interest in Shanghai Pudong Xiao Nan Guo Casual Dining Management Co., Ltd, an unlisted brand management company with approximately RMB100,000. In the current year, the Group disposed of this investment with the cash consideration of RMB100,000 to the Controlling Shareholder, Ms Wang Huimin.

Management designated the equity investments as financial assets at fair value through other comprehensive income upon initial application of IFRS 9 on 1 January 2016, as management considered them strategic investments in the long run. The fair values of the unlisted equity securities are determined by reference to the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. No change in fair value for the year ended 31 December 2017 (2016: Nil) or accumulated change in fair value as of 31 December 2017 (31 December 2016: Nil), respectively, had been recognised in other comprehensive income.

18. INVENTORIES

	31 December 2017 RMB'000	31 December 2016 RMB'000
Food and beverages, and other operating items for restaurant operations, at cost	**34,257**	37,509

19. 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 aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 1 month	**19,889**	18,307
1 to 2 months	**1,660**	2,792
2 to 3 months	**1,134**	1,030
Over 3 months	**3,604**	4,525
	26,287	26,654

Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**31 December 2017 RMB'000**	31 December 2016 RMB'000
Deposits and other receivables		**84,457**	110,081
Prepaid expense		**15,585**	22,761
Amounts due from companies owned by the Controlling Shareholder	(i)	**56,328**	50,110
Amount due from a Director of major subsidiaries in Hong Kong		**190**	319
Receivables from a non-controlling interest	(ii)	**81,191**	85,825
Prepayments		**27,296**	13,854
		265,047	282,950
Less: Non-current portion of receivables from a non-controlling interest			
– Loan to a non-controlling shareholder	(ii)	**(44,386)**	(47,498)
– Other long-term receivables	(ii)	**(24,241)**	(30,413)
Prepayments, deposits and other receivables		**196,420**	205,039

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

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

(ii) In relation to the acquisition of POKKA HK, POKKA HK made a loan to Rosy Metro Investment Limited ("**Rosy Metro**"), a company wholly owned by the non-controlling shareholder of POKKA HK, of HK$40,000,000 at interest rate of Hibor+1.70 and HK$25,000,000 at interest rate of Hibor+2.45 and should be repaid in the next three years since 30 March 2015, the draw-down date. The outstanding principal and interest amounted to RMB54,334,000 and RMB3,369,000 respectively as at 31 December 2017 (RMB58,143,000 and RMB2,547,000 respectively as at 31 December 2016).

In addition, Rosy Metro should pay the subscription price of HK$40,000,000 through POKKA HK in five instalments according to the deferred payment schedule. HK$2,000,000, HK$4,000,000, HK$5,000,000, HK$6,000,000 and HK$23,000,000 shall be paid on 7 January 2016, 2017, 2018, 2019 and 2020, respectively. The outstanding balance amounted to RMB33,436,000 as at 31 December 2017 (31 December 2016: RMB35,780,000).

On 20 March 2015, Million Rank Limited ("**MRL**") declared a special dividend to its shareholders Bright Charm Development Limited ("**Bright Charm**") and Rosy Metro, at HK$2.125 per ordinary share, amounting to approximately HK$34,000,000. The dividend paid to Rosy Metro, amounting to HK$11,900,000 (equivalent to RMB9,948,000 and RMB10,645,000 as at 31 December 2017 and 31 December 2016), was offset against a loan to a non-controlling shareholder.

The above amounts due from the non-controlling interest were RMB81,191,000 in total as at 31 December 2017 (31 December 2016: RMB85,825,000) of which the current portion was RMB12,564,000 and the non-current portion was RMB68,627,000 (RMB7,914,000 and RMB77,911,000 as at 31 December 2016).

The loan to Rosy Metro and the deferred payment schedule mentioned above are both mortgaged by the 35% equity interest of MRL held by Rosy Metro. In the event that Rosy Metro may fail to fulfil these obligations, the Company and Bright Charm shall purchase or cause a third party to purchase the shares held by Rosy Metro.

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.

21. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Financial asset at fair value through profit or loss	**226**	242

The above investment was classified as held for trading and was, upon initial recognition, designated by the Group as a financial asset at fair value through profit or loss. The fair value for the above investment as at 31 December 2017 was determined based on the quoted price from a creditworthy bank.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Cash and bank balances	**304,656**	219,737
Time deposits with original maturity of less than three months	**152,478**	33,653
Time deposits with original maturity of over three months	**11,564**	40,000
	468,698	293,390
Less: Pledged time deposits for bank loans		
– Current portion	**(151,910)**	(20,000)
– Non-current portion	**(11,564)**	(40,000)
Cash and cash equivalents	**305,224**	233,390

Included RMB163,474,000 of time deposits which were pledged for bank loans borrowed by the Company, for details please refer to Note 25(a).

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB396,955,000 (2016: RMB254,862,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland'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 aging analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within 3 months	**42,715**	62,400
3 months to 1 year	**5,145**	2,048
Over 1 year	**1,980**	2,393
	49,840	66,841

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

24. OTHER PAYABLES AND ACCRUALS

	31 December 2017 RMB'000	31 December 2016 RMB'000
Payroll and welfare payables	**36,327**	53,813
Taxes other than corporate income tax	**1,972**	4,177
Other payables for construction in progress	**19,032**	28,222
Accruals and other payables	**61,122**	73,292
Payable related to the acquisition of a non-current financial asset	**–**	105,906
Current portion of the long term deferred payment	**4,180**	3,578
Advances from customers	**3,635**	8,384
	126,268	277,372

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

25. INTEREST-BEARING BANK LOANS

		31 December 2017			31 December 2016		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans – unsecured		**5.00**	**2018**	**80,000**	4.79	2017	80,000
Bank loans – secured	(c)	**7.95**	**2018**	**99,000**			–
Bank loans – secured	(a)			**–**	4.35	2017	18,000
Bank loans – secured	(a)	**Hibor+1.25**	**2018**	**98,636**			–
Bank loans – unsecured		**Libor+1.50**	**2018**	**64,885**	COF+1.00	2017	62,000
Bank loans – secured	(a)			**–**	Hibor+2.30	2017	36,675
Current portion of long term bank loans – secured	(b)	**Hibor+1.70**	**2018**	**2,229**	Hibor+1.70	2017	2,385
Current portion of long term bank loans – secured	(b)	**Hibor+2.45**	**2018**	**4,179**	Hibor+2.45	2017	4,472
				348,929			203,532
Non-current							
Bank loans – secured	(a)	**Hibor+2.60**	**2020**	**34,272**			–
Bank loans – secured	(c)			**–**	7.95	2018	99,000
Bank loans – secured	(b)	**Hibor+1.70**	**2022**	**25,077**	Hibor+1.70	2022	29,220
Bank loans – secured	(b)	**Hibor+2.45**	**2020**	**5,224**	Hibor+2.45	2020	10,063
				64,573			138,283
				413,502			341,815
Analysed into:							
Bank loans repayable:							
Within one year or on demand				**348,929**			203,532
In the second year				**–**			99,000
In the third to seventh years, inclusive				**64,573**			39,283
				413,502			341,815

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

(a) The bank loans borrowed by the Company are secured by the pledge of certain of the Group's time deposits amounting to RMB163,474,000. RMB40,000,000 has been released on 4 January 2018 to match with the loan balance.

(b) The bank loans borrowed by POKKA HK are secured by POKKA HK's building, which had a net carrying value of approximately RMB70,724,000 as at 31 December 2017 (2016: RMB78,041,000).

(c) The entrusted bank loan is borrowed from Wuhu Gopher Asset Management Co., Ltd. through Bank of Shanghai by the Company and is secured by the Controlling Shareholder, Ms. Wang Huimin, the Company and three subsidiaries of the Company as well as the operating income right of the Group's four restaurants located in Shanghai Disney Resort.

26. DEFERRED TAX

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

Deferred tax liabilities

31 December 2017

	Tax depreciation allowance in excess of accounting depreciation RMB'000	Capitalised expenses in decoration period RMB'000	Fair value change of non-current financial asset investment RMB'000	Total RMB'000
At 1 January 2017	1,391	559	390	2,340
Deferred tax (credited)/charged to the statement of profit or loss during the year (Note 10)	173	(404)	–	(231)
Deferred tax credited to other comprehensive income	–	–	(390)	(390)
Exchange realignment	–	57	–	57
Gross deferred tax liabilities at 31 December 2017	1,564	212	–	1,776

26. DEFERRED TAX *(continued)*

Deferred tax assets

31 December 2017

	Impairment of fixed assets RMB'000	Accounting depreciation in excess of tax depreciation allowance RMB'000	Fair value change of non-current financial assets investment RMB'000	Deferred lease rental RMB'000	Accrued expenses RMB'000	Loss available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2017	5,267	13,132	–	9,045	19,584	35,238	82,266
Deferred tax credited/ (charged) to the statement of profit or loss (Note 10)	(5,267)	1,908	490	1,221	(3,567)	(9,615)	(14,830)
Exchange realignment	–	(864)	–	(41)	–	(155)	(1,060)
Gross deferred tax assets at 31 December 2017	–	14,176	490	10,225	16,017	25,468	66,376

For presentation purposes, both deferred tax assets and liabilities of RMB647,000 have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	66,376
Net deferred tax liabilities recognised in the consolidated statement of financial position	(647)
	65,729

26. DEFERRED TAX *(continued)*

Deferred tax liabilities

31 December 2016

	Tax depreciation allowance in excess of accounting depreciation RMB'000	Capitalised expenses in decoration period RMB'000	Fair value change of non-current financial asset investment RMB'000	Total RMB'000
At 1 January 2016	513	724	681	1,918
Deferred tax credited/(charged) to the statement of profit or loss during the year (Note 10)	955	(187)	–	768
Deferred tax charged to other comprehensive income	–	–	(291)	(291)
Exchange realignment	(77)	22	–	(55)
Gross deferred tax liabilities at 31 December 2016	1,391	559	390	2,340

Deferred tax assets

31 December 2016

	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	Total RMB'000
At 1 January 2016	5,494	9,710	7,415	25,793	37,324	85,736
Deferred tax credited/ (charged) to the statement of profit or loss (Note 10)	(227)	2,599	1,597	(6,209)	(2,238)	(4,478)
Exchange realignment	–	823	33	–	152	1,008
Gross deferred tax assets at 31 December 2016	5,267	13,132	9,045	19,584	35,238	82,266

For presentation purposes, both deferred tax assets and liabilities of RMB1,859,000 have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	82,266
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,859)
	80,407

26. DEFERRED TAX *(continued)*

Deferred tax assets *(continued)*

As at 31 December 2017, the Group had accumulated tax losses arising in Chinese Mainland for certain subsidiaries of RMB163,395,000 (2016: RMB150,511,000) 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 Chinese Mainland. 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 Chinese Mainland and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. 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 Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB595,192,000 and RMB482,996,000 at 31 December 2017 and 2016, respectively.

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

27. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the state regulations of the PRC, the subsidiaries in Chinese Mainland 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 12% to 20% of the previous year's average basic salary amount of the geographical area where the employees are under employment with the subsidiaries in Chinese Mainland.

In compliance with the Mandatory Provident Fund Schemes Ordinance (the "**MPF Ordinance**"), the subsidiaries in Hong Kong have participated in an 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.

28. SHARE CAPITAL

Shares

	31 December 2017 RMB'000	31 December 2016 RMB'000
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	**2,213,031,000**	2,213,031,000
Equivalent to RMB'000	**18,393**	18,393

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000	**Share premium account** RMB'000	**Capital redemption reserve** RMB'000	**Total** RMB'000
At 1 January 2016	1,475,354,000	12,035	472,827	27	484,889
Shares issued (Note (a))	737,677,000	6,358	251,015	–	257,373
At 31 December 2016 and 31 December 2017	2,213,031,000	18,393	723,842	27	742,262

Note:

(a) The Company announced to implement the rights issue ("**Rights Issue**") on the basis of one rights share for every two shares at the subscription price of HK$0.41 per rights share on 7 June 2016. The net proceeds raised from the Rights Issue will be used to pay the consideration of the acquisition of 9.82% of the issued share capital of JMU Limited (formerly known as Wowo Limited). On 18 July 2016, 737,677,000 rights shares have been issued, with net proceeds of HK$298,611,000 (equivalent to RMB257,373,000). Immediately after completion of the Rights Issue, the total issued and fully paid shares of the Company was 2,213,031,000.

29. SHARE-BASED PAYMENTS

The rights issue of shares on the basis of one share for every two existing shares was completed on 18 July 2016. As a result of the completion of the Rights Issue, the Company made adjustments to the exercise price and the number of outstanding share options granted by the Company pursuant to the terms of the two pre-IPO share option schemes adopted by the Company on 10 February 2010 and 15 March 2011 (and amended on 10 August 2011) (the "**Pre-IPO Share Option Schemes**") and a share option scheme adopted by the Company on 4 July 2012 (the "**Share Option Scheme**").

(1) Pre-IPO Share Option Schemes

The Pre-IPO Share Option 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 Share Option 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 Share Option 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 RMB0.99, RMB1.09 or RMB1.17 in total by the grantee after exercise price adjustment due to the Rights Issue (RMB1, RMB1.1 or RMB1.175 before the adjustment). 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 Share Option Schemes, if earlier.

The following share options were outstanding under the Pre-IPO Share Option Schemes during the years ended 31 December 2017and 2016:

	Year ended 31 December 2017		Year ended 31 December 2016	
	Weighted average exercise price per share RMB	**Number of options '000**	Weighted average exercise price per share RMB	Number of options '000
At the beginning of the year		**21,808**		30,407
Adjustment for share issue		**–**		181
Forfeited during the year	**1.068**	**(2,000)**	1.070	(8,780)
At the end of the year		**19,808**		21,808

No share options were exercised during the years ended 31 December 2017 and 2016.

29. 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 Share Option Schemes outstanding as at 31 December 2017 are as follows:

Number of options '000	Exercise price (after adjustment due to Rights Issue) RMB per share	Exercise period
7,333	0.99	1 January 2012 to 11 February 2020
181	0.99	1 January 2012 to 21 June 2020
1,043	0.99	1 January 2012 to 1 September 2020
1,014	1.09	1 January 2012 to 15 December 2020
6	1.09	1 January 2012 to 26 January 2021
1,314	1.09	1 January 2012 to 22 March 2021
1,056	1.09	1 January 2012 to 22 March 2021
942	1.09	1 July 2012 to 1 July 2021
63	1.09	1 July 2012 to 1 July 2021
2,833	1.09	1 July 2012 to 12 August 2021
376	1.17	1 July 2012 to 12 August 2021
1,184	1.17	1 January 2013 to 15 January 2022
2,463	1.17	1 January 2013 to 15 May 2022
19,808		

There were no share options granted under the Pre-IPO Share Option Schemes after 4 July 2012, the Company's listing date. The Group recognised no share option expense under the Pre-IPO Share Option Schemes during the year ended 31 December 2017 (31 December 2016: Nil).

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.

29. SHARE-BASED PAYMENTS *(continued)*

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

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 Share Option 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 for 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, 8,750,000 shares have been repurchased and cancelled, pursuant to the resolution of the board of Directors of the Company, given the performance conditions were not met.

The incremental fair value of the replacement share-based payment arrangement for the Director is recognised as a share option expense over the vesting period. 16,250,000 Compensation Shares have been transferred to the Director in 2015.

(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 exercise prices of options granted before 2017 under this scheme were of HK$0.99, HK$1.29 or HK$1.49 after exercise price adjustment due to the Rights Issue (HK$1, HK$1.3 or HK$1.5 before the adjustment).

On 2 May 2017, the Company granted 85,000,000 options under the Share Option Scheme and the exercise price was HK$0.50, conditional upon the achievement of performance conditions.

29. SHARE-BASED PAYMENTS *(continued)*

(2) Share Option Scheme *(continued)*

The following share options were outstanding under the Share Option Scheme during the years ended 31 December 2017 and 2016:

	Year ended 31 December 2017 Weighted average exercise price per share HK$	Year ended 31 December 2017 Number of options '000	Year ended 31 December 2016 Weighted average exercise price per share HK$	Year ended 31 December 2016 Number of options '000
At the beginning of the year		**30,422**		47,486
Granted during the year	**0.500**	**85,000**		–
Forfeited during the year	**1.304**	**(3,800)**	1.317	(17,341)
Adjustment for Share Issue		**–**		277
At the end of the year		**111,622**		30,422

No share options under the Share Option Scheme were exercised during the years ended 31 December 2017 and 2016.

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.

The exercise prices and exercise periods of the share options under the Share Option Scheme outstanding as at 31 December 2017 are as follows:

Number of options '000	Exercise price (after adjustment due to Rights Issue) HK$ per share	Exercise period
8,196	1.49	23 August 2013 to 22 August 2023
5,955	1.49	1July 2015 to 29 June 2024
4,997	1.29	1July 2015 to 29 June 2024
2,333	1.29	1January 2016 to 31 December 2024
5,141	0.99	1January 2016 to 31 December 2024
85,000	0.50	1 October 2017 to 2 May 2027
111,622		

29. SHARE-BASED PAYMENTS *(continued)*

(2) Share Option Scheme *(continued)*

The fair value of the options granted during the year was approximately RMB12,467,000, of which the Group recognised a share option expense of nil as the performance conditions were not achieved. The Group recognised a total share option expense of RMB2,326,000 (2016: RMB3,000,000) for the year ended 31 December 2017 (Note 6).

The fair value of all equity-settled share options under the Share Option Scheme granted during the year ended 31 December 2017 was estimated as at the date of grant using a binomial model, taking into account the following:

	Year ended 31 December 2017	Year ended 31 December 2016
Dividend yield (%)	**0.00%**	0.00%
Expected volatility (%)	**37.20%-40.70%**	37.20%-37.44%
Risk-free interest rate (%)	**1.36%-1.90%**	1.36%-1.90%
Maturity date	**2 May 2027**	31 December 2024
Weighted average exercise price (HK$ per share)	**1.06**	1.10

As at 31 December 2017, the Company had 19,808,000 and 111,622,000 share options outstanding under the Pre-IPO Share Option 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 131,430,000 additional ordinary shares of the Company and additional share capital of RMB933,214 and share premium of RMB81,969,594 (before issue expenses).

30. RESERVES

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.

30. RESERVES *(continued)*

(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 Chinese Mainland. 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.

(vii) Financial asset revaluation reserve

Financial asset revaluation reserve comprises all revaluation changes arising from the non-current financial asset investment.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	Notes	2017	2016
Percentage of equity interest held by non-controlling interests:			
Shanghai Mizhilian Restaurant Management Co., Ltd.	a	**50%**	50%
Million Rank Limited	b	**35%**	35%
		2017 RMB'000	2016 RMB'000
Profit/(loss) for the year allocated to non-controlling interests:			
Oreno Xiao Nan Guo International (Hong Kong) Limited	c	**–**	(844)
Shanghai Mizhilian Restaurant Management Co., Ltd.		**329**	94
King Merit (Macau) Limited	c	**–**	71
Million Rank Limited		**(68)**	(50)
		261	(729)
Accumulated balances of non-controlling interests at the reporting date:			
Shanghai Mizhilian Restaurant Management Co., Ltd.		**(289)**	(618)
Million Rank Limited		**67,107**	72,729
		66,818	72,111

a. As stated in Note 3, 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 owning rights to variable returns from its involvement with Mizhilian and owning the ability to affect those returns through its power over Mizhilian.

b. Million Rank Limited was acquired in 2015. Bright Charm Development Limited (Bright Charm) (a wholly-owned subsidiary of the Company) and Rosy Metro Investment Limited (Rosy Metro) (a company wholly owned by a third party individual) own 65% and 35% of the issued share capital of Million Rank Limited ("**MRL**").

c. Oreno Xiao Nan Guo International (Hong Kong) Limited was incorporated in February 2014. On 30 April 2016, the Group purchased 32% of Oreno Xiao Nan Guo International (Hong Long) Limited from its non-controlling shareholder, 俺の株式会社, with the consideration of HK$1. On 29 February 2016, the Group disposed of King Merit (Macau) Limited, a 70% indirectly-owned subsidiary of the Company, to its non-controlling shareholder, an independent third party individual of the Group.

31. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

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

	Shanghai Mizhilian Restaurant Management Co., Ltd. RMB'000	**Million Rank Limited RMB'000**
2017		
Revenue	**14,704**	**274,777**
Total expenses	**14,046**	**274,972**
Profit/(loss) for the year	**658**	**(195)**
Exchange differences on translation of foreign operations	**–**	**(15,869)**
Total comprehensive income/(loss) for the year	**658**	**(16,064)**
Current assets	**23,787**	**153,156**
Non-current assets	**2,380**	**162,758**
Current liabilities	**26,744**	**59,203**
Non-current liabilities	**–**	**36,516**
Cash and cash equivalents	**–**	**11,833**

	Shanghai Mizhilian Restaurant Management Co., Ltd. RMB'000	Million Rank Limited RMB'000
2016		
Revenue	14,258	309,764
Total expenses	(14,070)	(309,908)
Profit/(loss) for the year	188	(144)
Total comprehensive income/(loss) for the year	188	(144)
Current assets	25,248	161,513
Non-current assets	2,526	196,435
Current liabilities	29,010	73,874
Non-current liabilities	–	48,367
Cash and cash equivalents	–	18,722

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group received dividend, amounting to RMB800,000, from Yancheng Guanhua by offsetting trade payable to Yancheng Guanhua (2016: RMB800,000).

(b) Changes in liabilities arising from financing activities

	Bank and other loans RMB'000
At 1 January 2017	341,815
Changes from financing cash flows	74,261
Foreign exchange movement	(2,574)
At 31 December 2017	413,502

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 3 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:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Within one year	**249,504**	278,423
In the second to fifth years, inclusive	**649,867**	795,232
After five years	**158,791**	269,748
	1,058,162	1,343,403

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:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Contracted, but not provided for:		
Leasehold improvements	**7,447**	29,500

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:

		Year ended 31 December	
	Notes	**2017 RMB'000**	2016 RMB'000
Fee income from the provision of food processing service	(i)	**–**	281
Property rental expense	(ii)	**8,518**	11,392
Integrated property management expense	(iii)	**827**	1,230
Purchase of goods and service	(iv)	**68,537**	40,153
Sales of goods and service	(v)	**15,136**	20,570
Actual spending of Pre-paid Cards	(vi)	**58,206**	67,257
Commission paid for Pre-paid Cards	(vi)	**629**	721

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, for the period commencing from 1 January 2012 to 31 December 2014 which has been extended to 31 December 2017 in 2015.

35. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes: (continued)

(ii) Shanghai Hongqiao Xiao 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 RMB4,000,000, which was determined with reference to the market rental rate, for a period of five years commencing 1 July 2008 and the lease period has been extended to 31 December 2017 in 2014. On 31 December 2016, the Company and Hongqiao XNG entered into a termination agreement to early terminate the property rental agreement with effect from 1 January 2017. During the year ended 31 December 2017, there was no rental fee (2016: RMB4,000,000).

The Group entered into a lease agreement with Xiao Nan Guo (Group) Co., Ltd., a company owned by the Controlling Shareholder, to lease office premises for the period commencing from 1 July 2012 and the lease period has been extended to 31 December 2017 in 2014, based on a market price mutually agreed by both parties. The actual fee charged during the year ended 31 December 2017 was RMB4,875,000, with a service fee included (31 December 2016: RMB2,983,000).

The Group entered into a lease agreement with Xiao Nan Guo (Group) Co., Ltd. to lease a banquet hall as a restaurant for the period commencing from 16 September 2012 to 31 December 2014 and extended the lease period to 31 December 2017 in 2014, at a rental fee based on a market price mutually agreed by both parties. During the year ended 31 December 2017, the rental charged by Xiao Nan Guo (Group) Co., Ltd. was RMB3,643,000 (31 December 2016: RMB4,409,000).

(iii) The Group entered into a service agreement with Xiao Nan Guo (Group) Co., Ltd. for the period commencing from 1 January 2015 to 31 December 2017, pursuant to which Xiao Nan Guo (Group) has agreed to provide property management service to the Group. During the year ended 31 December 2017, the service fee charged by Xiao Nan Guo (Group) Co., Ltd. was RMB827,000 (31 December 2016: RMB1,230,000).

(iv) The Group entered into a procurement framework agreement with Shanghai Zhongmin Supply Chain Management Co., Ltd.,("**Zhongmin Supply Chain**"), a company indirectly owned by the Controlling Shareholder, pursuant to which the Group has agreed to procure raw ingredients used for restaurant operations from Zhongmin Supply Chain, for the period commencing from 1 June 2016 to 31May 2017 and extended to 31 May 2018 on 1 June 2017. The Group has procured raw ingredients of RMB68,537,000 from Zhongmin Supply Chain in 2017 (2016: RMB40,153,000). The pricing of such raw ingredients shall be determined with reference to the costs for such raw ingredients and the prevailing market price and procurement quantity of similar raw ingredients.

(v) The Group provided banquet food to Shanghai WH Ming Hotel Co., Ltd., 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 agreement commenced from 1 January 2014 to 31 December 2016. The income generated from banquet food provided to WH Ming Hotel amounted to RMB15,136,000 during the year ended 31 December 2017 (31 December 2016: RMB20,349,000).

No gift boxes were sold to Xiao Nan Guo (Group) Co., Ltd. based on market prices during the year ended 31 December 2017 (31 December 2016: RMB221,000).

(vi) The Group entered into a Pre-paid Cards Agreement in 2014 with Shanghai Xiao Nan Guo Enterprises Service Information Development Limited ("**XNG Information Development**"), a company indirectly owned by Wang Bai Xuan Tiffany, who is the daughter of the Controlling Shareholder of the Company. Pursuant to the agreement, the Pre-paid Cards can be used at the Shanghai Min Restaurants, the WH Ming Hotel as well as other businesses operated by the Controlling Shareholder. The actual spending is the amount which the Pre-paid Card holders have actually spent at the Shanghai Min Restaurants (including Shanghai Min, Maison De L'Hui, the dining room and Shanghai Min's family restaurants) via the Pre-paid Cards, which amounted to RMB58,206,000 (31 December 2016: RMB67,257,000). The commission rate payable to XNG Information Development shall be 1% of the actual dining expenses, which amounted to RMB629,000 (31 December 2016: RMB721,000), of a Pre-paid Card holder for every bill (before discount (if any)) at the Shanghai Min Restaurants.

35. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transactions with related parties

(i) 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 licence to use its registered trademarks for no consideration.

(ii) The Controlling Shareholder, Ms Wang Huimin, had guaranteed certain bank loans made to the Group of up to RMB99,000,000 as at 31 December 2017 (31 December 2016: RMB99,000,000), as further detailed in Note 25(c) to the financial statements.

(iii) During the year, the Group disposed investment of 10% equity interest in Shanghai Pudong Xiao Nan Guo Casual Dining Management Co., Ltd with the cash consideration of RMB100,000 to the Controlling Shareholder,Ms Wang Huimin.

(c) Outstanding balances with related parties

The amounts due from the companies owned by the Controlling Shareholder are disclosed in Note 20 to the financial statements. These balances are unsecured, interest-free and have no fixed terms of repayment.

The amounts due from a non-controlling shareholder are disclosed in other receivables, other long-term receivables and the loan to a non-controlling shareholder to the financial statements. The details were disclosed in Note 20 to the financial statements.

(d) Compensation of key management personnel of the Group

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Short-term employee benefits	**5,946**	3,450
Equity-settled share-based payment	**17**	87
Total compensation paid to key management personnel	**5,963**	3,537

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

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

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:

31 December 2017

Financial assets

	Financial asset at fair value through profit or loss RMB'000	Non-current financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Non-current financial assets	–	67,755	–	67,755
Long-term rental deposits	–	–	95,052	95,052
Loan to a non-controlling shareholder	–	–	44,386	44,386
Other long-term receivables	–	–	24,241	24,241
Trade receivables	–	–	26,287	26,287
Financial assets included in prepayments, deposits and other receivables	–	–	121,440	121,440
Financial asset at fair value through profit or loss	226	–	–	226
Pledged deposits	–	–	163,474	163,474
Cash and cash equivalents	–	–	305,224	305,224
	226	67,755	780,104	848,085

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term deferred payment	24,241
Long-term payables	78,158
Trade payables	49,840
Financial liabilities included in other payables and accruals	90,842
Interest-bearing bank loans	413,502
	656,583

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

31 December 2016

Financial assets

	Financial asset at fair value through profit or loss RMB'000	Non-current financial assets RMB'000	Loans and receivables RMB'000	Total RMB'000
Non-current financial assets	–	224,470	–	224,470
Long-term rental deposits	–	–	107,379	107,379
Loan to a non-controlling shareholder	–	–	47,498	47,498
Other long-term receivables	–	–	30,413	30,413
Trade receivables	–	–	26,654	26,654
Financial assets included in prepayments, deposits and other receivables	–	–	143,806	143,806
Financial asset at fair value through profit or loss	242	–	–	242
Pledged deposits	–	–	60,000	60,000
Cash and cash equivalents	–	–	233,390	233,390
	242	224,470	649,140	873,852

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Long-term deferred payment	30,413
Long-term payables	81,578
Trade payables	66,841
Financial liabilities included in other payables and accruals	230,138
Interest-bearing bank loans	341,815
	750,785

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, non-current financial assets, long-term rental deposits, loan to a non-controlling shareholder, other long-term receivables, long-term defer payments, long-term payables, trade payables, financial liabilities included in other payables and accruals, and 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.

The following table provides the fair value measurement hierarchy of the Company's financial instruments measured at fair value as at 31 December 2017:

Financial assets measured at fair value
As at 31 December 2017

	Fair value measurements categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial asset at fair value through profit or loss	–	226	–	226
Unlisted equity investment, at fair value	–	–	14,000	14,000
Listed equity investment, at fair value	53,755	–	–	53,755
	53,755	226	14,000	67,981

There have been no transfers between Level 1 and Level 2 during the year.

The fair value of the financial asset at fair value through profit or loss is derived from quoted prices in active markets.

The fair value of the listed equity investment through other comprehensive income is based on quoted market prices.

The fair value of the unlisted equity investment through other comprehensive income falls within Level 3 of the fair value hierarchy due to the significant unobservable inputs used in the valuation. The following table shows the valuation techniques used in the determination of fair values of the unlisted equity investments.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Discounted cash flow method	Discount rate	14%	10% increase (decrease) in expected yield would result in (decrease) increase in fair value by RMB1,428,000

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.

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 2017 (2016: 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
2017		
If RMB strengthens against U.S. dollar	**(5)**	**(33)**
If RMB weakens against U.S. dollar	**5**	**33**
2016		
If RMB strengthens against U.S. dollar	(5)	(27)
If RMB weakens against U.S. dollar	5	27

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

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 comprise primarily 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 following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2017		
If interest rate increases	**50**	**(1,837)**
If interest rate decreases	**(50)**	**1,837**
2016		
If interest rate increases	50	(1,208)
If interest rate decreases	(50)	1,208

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, non-current financial assets, long-term rental deposits, loan to a non-controlling shareholder, other long-term receivables, trade receivables, financial assets at fair value through profit or loss, pledged deposits and financial assets included in prepayments, deposits and other receivables included in the consolidated financial statements arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Receivables from Rosy Metro had a total balance of HK$32,150,000 (equivalent to RMB26,870,000) according to deferred payment schedule. But the receivables are mortgaged by the 35% equity interest of MRL held by Rosy Metro. In the event that Rosy Metro may fail to fulfil these obligations, the Company and Bright Charm shall purchase or cause a third party to purchase the shares held by Rosy Metro. In the opinion of the Directors, the receivables had limited credit risk.

As at 31 December 2017 and 2016, all pledged deposits, bank deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

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

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 2017 and 2016, the Group had interest-bearing bank loans of RMB413,502,000 and RMB341,815,000, respectively. The Directors review the Group's working capital and capital expenditure requirements and consider the liquidity risk is manageable.

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

31 December 2017

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	124,528	253,447	61,527	–	439,502
Trade payables	–	47,951	1,889	–	–	49,840
Financial liabilities included in other payables and accruals	90,842	–	–	–	–	90,842
Long-term deferred payment	–	–	–	24,241	–	24,241
Long-term payables	–	–	–	78,158	–	78,158
	90,842	172,479	255,336	163,926	–	682,583

31 December 2016

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank loans	–	63,704	152,805	116,457	19,501	352,467
Trade payables	4,441	62,400	–	–	–	66,841
Financial liabilities included in other payables and accruals	230,138	–	–	–	–	230,138
Long-term deferred payment	–	–	–	30,413	–	30,413
Long-term payables	–	–	–	81,578	–	81,578
	234,579	126,104	152,805	228,448	19,501	761,437

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

Capital management

The Group's objectives for 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 for managing capital 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 parent. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
Interest-bearing bank loans	**413,502**	341,815
Trade payables	**49,840**	66,841
Other payables and accruals	**126,268**	277,372
Less: Cash and cash equivalents	**(305,224)**	(233,390)
Net debt	**284,386**	452,638
Equity attributable to owners of the parent	**833,587**	890,331
Capital and net debt	**1,117,973**	1,342,969
Gearing ratio	**25.44%**	33.70%

39. CONTINGENT LIABILITIES

As at 31 December 2017, neither the Group nor the Company had any significant contingent liabilities (31 December 2016: Nil).

40. EVENTS AFTER THE REPORTING PERIOD

On 13 February 2018, Bright Charm Developments Limited ("**Bright Charm**"), a wholly-owned subsidiary of the Company, entered into a non-legally binding (unless otherwise specified therein) term sheet (the "**Term Sheet**") with the potential purchasers. Pursuant to the Term Sheet, Bright Charm intends to sell, and the potential purchasers intend to purchase, 65% of the issued share capital of Million Rank Limited, which is a company incorporated in the British Virgin Islands. Please refer to the announcement of the Company dated 13 February 2018 for details.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2017 RMB'000	31 December 2016 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**669,437**	866,412
Total non-current assets	**669,437**	866,412
CURRENT ASSETS		
Cash and cash equivalents	**46,705**	1,582
Other receivables	**10,140**	29,567
Total current assets	**56,845**	31,149
CURRENT LIABILITIES		
Other payables and accruals	**–**	105,906
Interest-bearing bank loans	**163,521**	98,675
Total current liabilities	**163,521**	204,581
NET CURRENT LIABILITIES	**(106,676)**	(173,432)
TOTAL ASSETS LESS CURRENT LIABILITIES	**562,761**	692,980
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**34,272**	–
Total non-current liabilities	**34,272**	–
Net assets	**528,489**	692,980
EQUITY		
Equity attributable to owners of the Parent		
Issued capital	**18,393**	18,393
Reserves (Note 30)	**510,096**	674,587
Total equity	**528,489**	692,980

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital redemption reserve RMB'000	Capital reserve RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Financial asset revaluation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	**723,842**	**27**	**59,312**	**5,758**	**23,004**	**(122,058)**	**(15,298)**	**674,587**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,842)**	**–**	**(153,093)**	**(11,882)**	**(166,817)**
Equity-settled share option arrangements	**–**	**–**	**–**	**–**	**2,326**	**–**	**–**	**2,326**
Transfer of share option reserve upon the forfeiture of share options	**–**	**–**	**–**	**–**	**(1,188)**	**–**	**1,188**	**–**
At 31 December 2017	**723,842**	**27**	**59,312**	**3,916**	**24,142**	**(275,151)**	**(25,992)**	**510,096**
At 1 January 2016	472,827	27	59,312	(7,950)	20,004	–	(8,091)	536,129
Total comprehensive income for the year	–	–	–	13,708	–	(122,058)	(7,207)	(115,557)
Issue of shares	254,322	–	–	–	–	–	–	254,322
Share issue expenses	(3,307)	–	–	–	–	–	–	(3,307)
Equity-settled share option arrangements	–	–	–	–	3,000	–	–	3,000
At 31 December 2016	723,842	27	59,312	5,758	23,004	(122,058)	(15,298)	674,587

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 27 March 2018.

FIVE YEARS FINANCIAL SUMMARY

RMB'000	2013	2014	2015	2016	2017
Revenue	1,385,911	1,544,199	2,035,177	2,001,001	**1,911,974**
Cost of sales	(458,756)	(509,272)	(629,768)	(567,072)	**(516,660)**
Gross profit	927,155	1,034,927	1,405,409	1,433,929	**1,395,314**
Other income and gains	40,006	46,616	44,041	46,665	**39,282**
Selling and distribution costs	(829,998)	(931,853)	(1,256,272)	(1,217,982)	**(1,125,076)**
Administrative expenses	(113,005)	(127,812)	(183,312)	(164,484)	**(143,099)**
Other expenses	(10,686)	(7,746)	(91,468)	(23,693)	**(9,517)**
Finance costs	(7,671)	(6,015)	(12,357)	(14,023)	**(17,691)**
PROFIT BEFORE TAX	5,801	8,117	(93,959)	60,412	**139,213**
Income tax expense	(5,130)	(7,085)	(4,458)	(26,166)	**(37,275)**
PROFIT FOR THE YEAR FROM THE CONTINUING BUSINESS	671	1,032	(98,417)	34,246	**101,938**
Profit from non-continuing business	–	–	–	–	**–**
Profit for the Year	671	1,032	(98,417)	34,246	**101,938**
Attributable to:					
Owners of the parent	1,075	566	(93,242)	34,975	**101,677**
Non-controlling interests	(404)	466	(5,175)	(729)	**261**
Total non-current assets	824,319	849,426	1,109,211	1,262,951	**908,477**
Total current assets	541,857	508,080	437,478	522,834	**714,324**
Total current liabilities	530,843	506,188	628,675	572,588	**554,295**
Total assets net of current liabilities	835,333	851,318	918,014	1,213,197	**1,068,506**
Total non-current liabilities	52,061	62,664	147,132	250,755	**168,101**
Net assets	783,272	788,654	770,882	962,442	**900,405**