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SHANGHAI MIN

Xiao Nan Guo Restaurants Holdings Limited

小南國餐飲控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03666)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2012 *(audited)*	**2011** *(unaudited)*	**% Change increase**
Revenue (RMB'000)	647,778	495,708	30.7%
Gross profit[1] (RMB'000)	438,724	327,438	34.0%
Gross margin[2]	67.7%	66.1%	1.6%
Profit for the period (RMB'000)	56,178	37,040	51.7%
Net profit margin[3]	8.7%	7.5%	1.2%
Earnings per share — Basic	RMB5.1 cents	RMB3.8 cents	
Interim dividend per share (HK$ cents)	1.4	—	
Number of restaurants[4] (as at 30 June)	62	48	

Notes:

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

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

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

4 Number of restaurants as at 30 June 2012 includes 58 Shanghai Xiao Nan Guo restaurants, 3 Maison De L'Hui restaurants and 1 The Dining Room restaurant.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Xiao Nan Guo Restaurants Holdings Limited (the "Company") is pleased to announce the audited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012, together with unaudited comparative figures for the corresponding period in the year 2011, as follows:

CONSOLIDATED INCOME STATEMENT
Six-month period ended 30 June 2012

		Six-month period ended 30 June	
	Notes	**2012**	**2011**
		RMB'000	*RMB'000*
		(audited)	*(unaudited)*
REVENUE	4	647,778	495,708
Cost of inventories consumed		(209,054)	(168,270)
Gross profit		438,724	327,438
Other income	4	18,894	8,760
Selling and distribution costs		(331,815)	(244,526)
Administrative expenses		(48,821)	(40,934)
Other expenses		(254)	(240)
Finance costs		(3,861)	(1,782)
PROFIT BEFORE TAX	5	72,867	48,716
Income tax expense	6	(16,689)	(11,676)
PROFIT FOR THE PERIOD		56,178	37,040
Attributable to:			
Owners of the Company		56,178	37,040
Earnings per share attributable to ordinary equity holders of the Company			
— Basic	8	RMB5.1 cents	RMB3.8 cents
— Diluted	8	RMB5.0 cents	RMB3.8 cents

Details of the dividends declared for the period are disclosed in note 7 to the consolidated interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six-month period ended 30 June 2012

	Six-month period ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(audited)	*(unaudited)*
PROFIT FOR THE PERIOD	56,178	37,040
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	376	(718)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	56,554	36,322
Attributable to:		
Owners of the Company	56,554	36,322

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2012

	Notes	30 June 2012 RMB'000 (audited)	31 December 2011 RMB'000 (audited)
NON-CURRENT ASSETS			
Property and equipment		515,308	500,239
Intangible assets		2,237	2,448
Available-for-sale investments		100	100
Long-term rental deposits		46,617	41,541
Deferred tax assets		29,380	21,332
Other long-term assets		687	793
Total non-current assets		594,329	566,453
CURRENT ASSETS			
Inventories		48,139	46,762
Trade receivables	9	19,287	20,088
Prepayments, deposits and other receivables	10	135,817	263,298
Cash and cash equivalents	11	80,617	179,956
Total current assets		283,860	510,104
CURRENT LIABILITIES			
Trade payables	12	101,269	97,440
Interest-bearing bank loans		129,637	129,571
Tax payable		23,541	19,436
Dividends payable		—	192,314
Other payables and accruals	13	173,125	208,571
Deferred income		1,723	2,669
Total current liabilities		429,295	650,001
NET CURRENT LIABILITIES		(145,435)	(139,897)
TOTAL ASSETS LESS CURRENT LIABILITIES		448,894	426,556

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2012

	Notes	**30 June 2012** *RMB'000* *(audited)*	**31 December 2011** *RMB'000* *(audited)*
NON-CURRENT LIABILITIES			
Long-term payables		34,941	32,622
Interest-bearing bank loans		—	37,895
Deferred tax liabilities		1,448	1,779
Total non-current liabilities		36,389	72,296
Net assets		412,505	354,260
EQUITY			
Equity attributable to owners of the Company			
Issued capital	14	9,252	9,262
Reserves		403,253	344,998
Total equity		412,505	354,260

Notes to the Consolidated Interim Financial Statements
30 June 2012

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 2 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2012 (the "Listing").

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

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") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Through a group reorganisation (the "Reorganisation") as set out in the section headed "History and Development" in the Prospectus dated 21 June 2012 for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 10 August 2010. Before the Reorganisation and formation of the Group, the listing business was carried out by the subsidiaries now comprising the Group, all of which were collectively controlled by Ms. Wang Huimin (the "Controlling Shareholder"). The acquisition of subsidiaries and business under common control has been accounted for using merger accounting.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent over the cost of investment at the time of common control combination. The acquisition of subsidiaries other than those under common control has been accounted for using the purchase method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring in line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted, at the beginning of the financial periods presented, all IFRSs that have been issued and effective for the financial periods presented.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 Amendments	Amendments to IFRS1 *First-time Adoption of International Financial Reporting Standards — Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12: *Transition Guidance*[2]
IAS 1 Amendments	Amendments to IAS1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
IAS 19 (2011)	*Employee Benefits*[2]
IAS 27 (2011)	*Separate Financial Statements*[2]
IAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements to IFRSs 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012

2 Effective for annual periods beginning on or after 1 January 2013

3 Effective for annual periods beginning on or after 1 January 2014

4 Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) ***Revenue from external customers***

	Six-month period ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(audited)	*(unaudited)*
Mainland China	556,363	421,906
Hong Kong	91,415	73,802
	647,778	495,708

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

(b) ***Non-current assets***

	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Mainland China	498,773	489,333
Hong Kong	66,076	55,688
	564,849	545,021

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

Information about a major customer

Since none of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the six-month periods ended 30 June 2012 and 2011, no major customers segment information is presented in accordance with IFRS 8 *Operating Segments*.

4. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Six-month period ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(audited)	*(unaudited)*
Revenue		
Restaurant operations	639,302	487,731
Other revenue	8,476	7,977
Revenue, net	647,778	495,708
Other income		
Government grants	10,310	5,295
Bank interest income	216	186
Management fee	1,500	1,500
Compensation income from landlords	2,800	—
Promotion service income	2,000	—
Others	2,068	1,779
	18,894	8,760

5. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(audited)	*(unaudited)*
Cost of inventories consumed	209,054	168,270
Depreciation	40,334	25,295
Amortisation of intangible assets	211	256
Amortisation of other long-term assets	106	106
Minimum lease payments under operating lease on buildings	102,478	79,216
Auditors' remuneration	839	142
Employee benefit expense (including directors' remuneration):		
Wages and salaries	128,216	98,379
Equity-settled share option expense	1,691	2,000
Defined contribution pension scheme	32,585	23,409
	162,492	123,788
Bank interest income	(216)	(186)
Loss on disposal of items of property and equipment	167	187

6. INCOME TAX

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

	Six-month period ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(audited)	*(unaudited)*
Group:		
Current - Mainland China charged for the period	23,903	17,069
Current - Hong Kong charged for the period	1,148	1,272
Deferred tax	(8,362)	(6,665)
Total tax charge for the period	16,689	11,676

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

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

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

Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd. and Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd., which are subsidiaries of the Group located in Shanghai Pudong New Area, enjoyed preferential CIT rates of 24% for the six-month period ended 30 June 2011, according to the preferential CIT policy in the PRC. These companies are subject to a normal income tax rate of 25% commencing year 2012.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — Six-month period ended 30 June 2012

	Mainland China		**Hong Kong**		**Total**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit before tax	68,621		4,246		72,867	
Tax at the statutory tax rate	17,155	25.0	701	16.5	17,856	24.5
Income not subject to tax	—	—	(16)	(0.4)	(16)	(0.0)
Additional deduction for share option expenses	(1,862)	(2.7)	—	—	(1,862)	(2.6)
Expenses not deductible for tax	617	0.9	94	2.2	711	1.0
Tax charge at the Group's effective rate	15,910	23.2	779	18.3	16,689	22.9

Group — Six-month period ended 30 June 2011 (unaudited)

	Mainland China		Hong Kong		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	41,203		7,513		48,716	
Tax at the statutory tax rate	10,301	25.0	1,240	16.5	11,541	23.7
Tax concession or lower tax rate enacted by local authority	(278)	(0.7)	—	—	(278)	(0.6)
Income not subject to tax	—	—	(188)	(2.5)	(188)	(0.4)
Expenses not deductible for tax	643	1.6	—	—	643	1.3
Effect for different tax rate used for the recognition of deferred tax	(42)	(0.1)	—	—	(42)	(0.1)
Tax charge at the Group's effective rate	10,624	25.8	1,052	14.0	11,676	23.9

7. DIVIDENDS

	Six-month period ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(audited)	*(unaudited)*
Interim — HK$0.014 (2011: Nil) per ordinary share	16,834	—

On 29 August 2012, the Company declared an interim dividend for the six months ended 30 June 2012, at HK$0.014 per Share, amounting to a total sum of approximately HK$20,650,000 (approximately equivalent to RMB16,834,000).

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

The calculation of basic earnings per share for the six-month period ended 30 June 2012 is based on the consolidated profit attributable to the equity holders of the Company and 1,110,000,000 ordinary shares in issue throughout the period. The calculation of basic earnings per share for the six-month period ended 30 June 2011 is based on the consolidated profit attributable to the equity holders of the Company and 976,259,000 shares which is arrived (i) on the assumption that the 1,000,000 ordinary shares under the capitalization issue were in issue throughout the period and (ii) taking into account the rights issue of 1,109,000,000 ordinary shares.

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

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

	Six-month period ended 30 June	
	2012	**2011**
	RMB'000	*RMB'000*
	(audited)	*(unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	56,178	37,040

Number of shares

	Six-month period ended 30 June	
	2012	**2011**
Shares		
Number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,110,000,000	976,259,000
Effect of dilution — number of ordinary shares:		
Share options	3,651,000	2,238,000
Number of ordinary shares used in the diluted earnings per share calculation	1,113,651,000	978,497,000

9. TRADE RECEIVABLES

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

An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	Group	
	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Within 1 month	13,427	14,966
1 to 2 months	1,904	2,097
2 to 3 months	732	1,186
Over 3 months	3,224	1,839
	19,287	20,088

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

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Deposits and other receivables	53,741	28,535
Prepaid expense	26,807	26,358
Amount due from the Controlling Shareholder	—	56,258
Amount due from companies owned by the Controlling Shareholder	16,844	126,540
Amount due from a Director of major subsidiaries in Hong Kong	236	354
Prepayments	38,189	25,253
	135,817	263,298

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

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

11. CASH AND CASH EQUIVALENTS

	Group	
	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Cash and bank balances, unrestricted	78,382	177,700
Time deposits with original maturity of less than three months	2,235	2,256
Cash and cash equivalents	80,617	179,956

The cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB66,036,000 and RMB159,173,000 as at 30 June 2012 and 31 December 2011, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and short-term deposits are deposited with creditworthy banks with no recent history of default.

12. TRADE PAYABLES

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

	Group	
	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Within 3 months	95,720	95,318
3 months to 1 year	5,172	1,672
Over 1 year	377	450
	101,269	97,440

Included in the trade payables balance as at 31 December 2011 and 30 June 2012, there were payable balances due to WHM Japan Co., Ltd. of RMB445,000 and RMB444,000, respectively. WHM Japan Co., Ltd. is a company owned by the Controlling Shareholder and supplies Japanese food materials to the Group. The trade payables are non-interest-bearing and normally settled within 30 days after invoice received.

13. OTHER PAYABLES AND ACCRUALS

	Group	
	30 June 2012	**31 December 2011**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Payroll and welfare payables	28,168	26,334
Tax payables	5,923	7,173
Other payables for construction in progress	54,548	92,411
Accruals and other payables	32,950	19,560
Advance from customers	51,536	58,023
Amounts due to companies owned by the Controlling Shareholder	—	5,070
	173,125	208,571

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

14. SHARE CAPITAL

Shares

	30 June 2012	**31 December 2011**
	(audited)	*(audited)*
Authorised:		
Ordinary shares (of HK$0.01 each)	10,000,000,000	10,000,000,000
Issued and fully paid:		
Ordinary shares (of HK$0.01 each)	1,133,750,000	1,135,000,000
Equivalent to RMB'000	9,252	9,262

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares *HK$'000*	Share premium *HK$'000*	Equivalent nominal value of ordinary shares *RMB'000*	Equivalent share premium *RMB'000*
Balance as at 29 June 2011 (note (a))	1,000,000	10	(10)	8	(8)
Issue of new shares (note(b))	1,109,000,000	11,090	147,941	9,050	120,790
Share issue expense	—	—	(4,659)	—	(3,820)
Issue of new shares (note (c))	25,000,000	250	—	204	—
At 31 December 2011	1,135,000,000	11,350	143,272	9,262	116,962
Cancellation of shares (note (d))	(1,250,000)	(13)	13	(10)	10
At 30 June 2012	1,133,750,000	11,337	143,285	9,252	116,972

Notes:

(a) 1,000,000 ordinary shares of HK$0.01 each were allotted and issued and converted as fully paid at par value on 29 June 2011, by way of capitalisation of the sum of HK$10,000 (equivalent to approximately RMB8,000) standing to the credit of the share premium account.

(b) Pursuant to the resolution of board of directors of the Company on 18 November 2011, 1,109,000,000 ordinary shares of HK$0.01 each were allotted and issued for a total consideration of HK$159,031,000 (equivalent to approximately RMB129,840,000).

(c) Pursuant to the resolution of board of directors of the Company on 18 November 2011, the Company issued 25,000,000 ordinary shares of HK$0.01 each to Affluent Harvest Limited, a wholly-owned subsidiary, to be used to settle share-based payment arrangement with a Director upon the exercise. No consideration was received by the Company for this issuance of ordinary shares. These ordinary shares are legally issued and outstanding but are treated as escrowed shares for accounting purpose. Any ordinary shares not used in the settlement of the share-based payment arrangement with the Director will be returned to the Company.

(d) On 8 June 2012, pursuant to the resolution of board of directors of the Company, the Company repurchased 1,250,000 ordinary shares, being the shares forfeited under the share-based payment arrangement with a Director, from Affluent Harvest Limited, a wholly-owned subsidiary, at par value and cancelled the 1,250,000 shares so purchased.

(e) Subsequent to 30 June 2012, the Listing has been completed on 4 July 2012 and the ordinary share capital of the Company was enlarged from 1,133,750,000 ordinary shares to 1,475,000,000 ordinary shares by way of new issue of 341,250,000 ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

During the first half of 2012, due to the European sovereign debt crisis, the global economy recovered at a slow pace. The European sovereign debt crisis continued to expand to various European countries and had a negative effect on the economy in other countries and regions in the world. Under these circumstances, Chinese economy encountered a slow down in growth. According to statistics issued by the National Bureau of Statistics, China's gross domestic product ("GDP") in the second quarter of 2012 was RMB22,709.8 billion, representing an increase of 7.8% as compared to the same period last year. The growth rate decreased by 0.3% as compared to that of the last quarter. Furthermore, it was the first time in the last three years that the quarterly growth rate of China's GDP returned to below 8%.

The slower economic growth also had a negative impact on the catering and restaurant industry in which the Group operates. The purchasing power and spending will of domestic residents decreased to varied degrees, and consumers became more sensitive to prices. According to statistics, which showed a slower growth of consumer price index ("CPI") of the PRC in the six months prior, and the CPI in June 2012 increased by 2.2% as compared to the same period last year. Meanwhile, the growth rate of retail sales of consumer goods significantly decreased to 13.1% in June 2012 from 14.7% in January 2012. As the commodity price control measures take effect, the year-on-year growth rate of the CPI may continue to drop, and decrease in commodity prices and demand causes concerns about deflation.

Although current economic environment in the PRC and abroad raises concern, there still exists vast growth potential for the Chinese cuisine full-service restaurant market in which the Group operates. The Twelfth Five-Year Plan (2011 - 2015) of the PRC expressly sets a target that residential income shall grow faster than the GDP. With the increase in disposable income, China's full-service restaurant industry will benefit from the policies of development planning in the long run. As disclosed in the Company's prospectus issued on 21 June 2012 (the "Prospectus"), the total sales of Chinese FSR segment has grown at a compound annual growth rate ("CAGR") of 15% from RMB1,148 billion in 2007 to RMB2,005 billion in 2011, and is expected to continue to grow to RMB3,318 billion by 2016, representing a CAGR of 10.1% from 2012. Due to the Group's strong brand recognition, high customer loyalty and utilization of its competitive strengths of product research and development and standardized operation (of central kitchens and central warehouses), the Group believes that its earnings will steadily grow through strengthening operation management and market development, adjusting marketing strategies and implementing effective cost control measures.

BUSINESS REVIEW

In the first half of 2012, due to the debt financial crisis, the global economy continued to deteriorate and gradually affected the growth of the Chinese economy. Meanwhile, the catering and restaurant industry continued to face the pressure of rising ingredient food cost, labor costs and rentals, which had a negative effect on operating costs. However, through implementing existing measures and the strategy of adjusting development, the Group successfully managed to record revenue of RMB647.8 million for the first half of 2012, representing an increase of 30.7% as compared to the same period last year; net profit of RMB56.2 million, representing an increase of 51.7% as compared to the same period last year; and earnings per share of RMB5.1 cent, representing an increase of 34.2% as compared to the same period last year.

During the reporting period, we continued to expand our restaurant base in new and existing markets based on a distinctive hub-and-spoke strategy. Under this strategy, we have six central kitchens and five central warehouses during the reporting period, servicing our restaurant network of 58 Shanghai Xiao Nan Guo restaurants, three Maison De L'Hui restaurants and one "The Dining Room" restaurant, which covered some of the most affluent and fastest-growing cities in Greater China, including Shanghai, Beijing, Dalian, Suzhou, Nanjing, Tianjin, Ningbo, Wuxi, Shenzhen and Hong Kong. Compared to 30 June 2011, we added two additional cities and 14 restaurants. As disclosed in the Prospectus, we are the largest self-owned mid-to high-end Chinese cuisine full-service restaurant chain headquartered in the PRC, based on number of self-owned restaurants in Greater China as of December 31, 2011.

Under the impact of the economic situation, the development of China's commercial property industry in 2012 has been encountering difficult challenges, and such will cause delay of the leasors' project progress and handover time of some of the Company's new sites on which we have entered into lease contract or letter of intent. Moreover, in the second half of 2012, the management will adopt more prudent measures to monitor the schedule of opening new stores, which include requiring more developed ambiance before commencing business of a new store. The above factors will lead to a decrease in the total number of new stores in 2012 as compared with that estimated in the year earlier. On the other hand, the management will leverage on the economic cycles to seek for more favorable leasing terms for the new sites, so as to lower the rental costs, and to speed up the opening of stores in due course.

The continuing implementation of a multi-brand strategy is critical to our sustainable expansion and growth. Our “Shanghai Xiao Nan Guo” brand caters to medium and high-end Chinese consumers, our “Maison De L’Hui” brand is a high-end brand focused on business clientele and our “The Dining Room” brand will pursue opportunities in mass markets by offering a simplified menu to medium-end clients. All three brands had a good performance in the first half of this year:

- Revenue of Shanghai Xiao Nan Guo in the first half of this year was RMB614.0 million, representing an increase of 31.8% as compared to the same period last year. Among these, the total number of 21 new stores opened in 2011 contributed revenue of RMB169.3 million, representing 26.1% of total revenue, and most of our net profit growth. Shanghai Xiao Nan Guo, our existing brand, continued its growth momentum, and became a major contributor of the Group’s revenue and the cornerstone of development.

- Revenue of Maison De L’Hui in the first half of this year was RMB23.4 million, with a significant increase of comparable restaurants sales by 46.1% and realization of profit. Having achieved such a success within a short period of two years as a newly established high-end catering and restaurant brand, Maison De L’Hui signified the effectiveness of the Group’s strategy and implementation of its multi-brand strategy.

- The new restaurant under “The Dining Room” brand opened in the reporting period in June 2012 generated a revenue of HK$2.35 million, customer traffic of 21,400, a per capita spending of HK$110 and a daily table turnover rate of 6.6 times, and achieved profit within one month after commencement of business. The Group will capitalize on “The Dining Room” concept, a medium-end brand, to capture the mass market segment and be resilience to downward economic pressure. Its lower investment on fixed assets, smaller area floor, flexible and simplified menu enable a faster replication ability and profitability. We intend to make appropriate adjustments and speed up the opening of more “The Dining Room” restaurants in Hong Kong and Mainland China.

The following table sets out the important factors of each brand of the Group, and shows their complementary positioning and sharing of the Group's existing resources during the six months ended 30 June 2012:

	Shanghai Xiao Nan Guo	**Maison De L'Hui**	**The Dining Room**
Number of restaurants	58	3	1
Number of cities	10	1	1
Positioning	Medium to High-end	High-end	Medium-end (casual dining)
Estimated average check per guest of comparable restaurants	RMB233	RMB687	HK$110[(i)]
Shared service from central kitchens	shared		
Shared service from central warehouses	shared		
Shared service from management team at headquarters	shared		

Despite facing various challenges, through the joint and complementary developments of the above three brands, the Group realized revenue of RMB647.8 million for the six months ended 30 June 2012, representing an increase of 30.7% as compared to the same period last year, and a net profit of RMB56.2 million, representing an increase of 51.7% as compared to the same period last year.

Note

(i) Estimated average check per guest of "The Dining Room" is calculated based on actual data of June 2012.

In the first half of 2012, the Group continued to enlarge the infrastructural of the Company's standardized operation. In addition to its existing food safety measures, the Group had taken various additional measures (including a third party inspection, examination by food and safety inspection institutions or labs, enlarged examination scope for unified acceptance and 6S management of general supplies) to ensure food safety and quality control. In the first half of 2012, no material food safety accidents occurred. Despite the continued rise in CPI, with the Group's purchasing power and continued effort in ensuring operation effectiveness, we selected a pool of strategic suppliers while also broadened new channels to ensure costs of food ingredients are effectively monitored and controlled. To that effect, the Group managed to decrease the costs of certain key food ingredients. The costs of food ingredients as a percentage of sales for the first half of 2012 decreased by 1.6% as compared to the same period last year. Furthermore, the Group also made an investment of RMB1.2 million on information technology system ("IT system"), in order to enhance the operation efficiency of the Group's operating of information system.

Looking ahead in the second half year, although signs of economic improvement have yet to come, the catering and restaurant industry in which the Group operates still has great development space. The Group will continue to strengthen and utilize its existing brand power, standardized management system and management team advantage and its capital raised from recent public listing. With the guidance from the Board and advisory committee, the Company will periodically review its strategy and prudently adjust its strategy where necessary to respond to macro-economic and market situation. The Company will also take necessary measures to control the management fees and other costs, and will speed up the opening of stores and enhance same store growth in due course, so as to maintain steady growth of results and strengthen our leadership position in the catering and restaurant business.

FINANCIAL REVIEW

For the six months ended 30 June 2012, the Group revenue reached RMB647.8 million, representing an increase of RMB152.1 million or 30.7% compared to RMB495.7 million for the six months ended 30 June 2011. The gross profit of the Group achieved RMB438.7 million, an increase of approximately RMB111.3 million from approximately RMB327.4 million for the same period of 2011, and profit for the six months ended 30 June 2012 increased by approximately 51.7% to approximately RMB56.2 million from approximately RMB37.0 million for the same period of 2011.

As at 30 June 2012, the Group operated the restaurant network of 58 Shanghai Xiao Nan Guo restaurants, 3 Maison De L'Hui restaurants and one "The Dining Room" restaurant, which cover some of the most affluent and fastest-growing cities in China (Note(i)) and Hong Kong. The following table sets forth revenue and the number of the restaurants in operation, by geographical region and brand, as at 30 June 2012 and 2011.

	Six months ended 30 June			
	2012		**2011**	
	Number of restaurants	*Revenue RMB'000 (audited)*	*Number of restaurants*	*Revenue RMB'000 (unaudited)*
China				
- Shanghai Xiao Nan Guo	50	524,495	37	391,836
- Maison De L'Hui	3	23,392	4	21,905
Hong Kong				
- Shanghai Xiao Nan Guo	8	89,505	7	73,990
- The Dining Room	1	1,910	—	—
Total revenue of restaurant operations	62	639,302	48	487,731
Other revenue		8,476		7,977
Total revenue		647,778		495,708

Note

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

Revenue

Revenue of the Group increased by RMB152.1 million, or 30.7%, from RMB495.7 million in the six months ended 30 June 2011 to RMB647.8 million in the six months ended 30 June 2012. This increase was due to an increase of RMB151.6 million in revenue from the restaurant operations and an increase of RMB0.5 million in revenue from other businesses during the period.

Revenue from restaurant operations

Revenue from restaurant operations increased by RMB151.6 million, or 31.1%, from RMB487.7 million in the six months ended 30 June 2011 to RMB639.3 million in the six months ended 30 June 2012 primarily reflecting:

- a RMB8.9 million increase from three Shanghai Xiao Nan Guo restaurants that were newly opened during the six months ended 30 June 2012;
- a RMB149.5 million increase from the ramp-up of the 21 Shanghai Xiao Nan Guo restaurants that were newly opened during 2011;
- a RMB15.6 million decrease, representing 3.9% decrease, in comparable restaurants sales (note (i)) from 28 Shanghai Xiao Nan Guo restaurants from the six months ended 30 June 2011 to the six months ended 30 June 2012.
- a RMB3.8 million increase from the ramp-up of one Maison De L'Hui restaurant newly opened during 2011;
- a RMB5.9 million increase, representing 46.1% increase, in comparable restaurant sales (note (i)) from 2 Maison De L'Hui restaurants from the six months ended 30 June 2011 to the six months ended 30 June 2012;
- a RMB1.9 million increase from one "The Dining Room" restaurants that were newly opened in June 2012;
- a RMB2.8 million decrease, from 6 Shanghai Xiao Nan Guo restaurants which we remodeled, changed lease space or location, or re-decorated during the six months ended 2011 and 2012.

note(i): as a whole, our comparable restaurant sale from 30 restaurants (including Shanghai Xiao Nan Guo restaurants and Maison De L' Hui restaurant) decreased RMB9.7 million, representing 2.4% decrease from the six months ended 30 June 2011 to the six months ended 30 June 2012.

Revenue from other businesses

Revenue from other businesses increased by RMB0.5 million, or 6.3%, from RMB8.0 million in the six months ended 30 June 2011 to RMB8.5 million in the six months ended 30 June 2012, which primarily reflected the increase in sales of our branded food products.

Cost of inventories consumed

Cost of inventories consumed increased by RMB40.8 million, or 24.2%, from RMB168.3 million in the six months ended 30 June 2011 to RMB209.1 million in the six months ended 30 June 2012, which was primarily due to an increase in quantities of food and beverages consumed in our operations, in line with rising revenue in the six months ended 30 June 2012.

Cost of inventories consumed as a percentage of the revenue decreased from 33.9% in the six months ended 30 June 2011 to 32.3% in the six months ended 30 June 2012, primarily reflecting (i) the market price corrections of food and beverages in China and Hong Kong, whose price peaked during the second half of 2011, and (ii) further improvements in operating efficiency through our continuing initiatives of standardization of operations and centralization of supply purchases.

Other income and gains

Other income and gains increased by RMB10.1 million, from RMB8.8 million in the six months ended 30 June 2011 to RMB18.9 million in the six months ended 30 June 2012, primarily reflecting (i) an increase of RMB5.0 million in the government grants received, including RMB1.7 million received as incentives for the company's IPO, in the six months ended 30 June 2012 from those received in the six months ended 30 June 2011, (ii) promotion service income of RMB2.0 million in the six months ended 30 June 2012, for providing display advertising premises at our restaurants, and (iii) compensations from certain landlords of RMB2.8 million in 2012, as incentives to invite our Shanghai Xiao Nan Guo brand restaurant into their project.

Selling and distribution costs

Selling and distribution costs increased by RMB87.3 million, or 35.7%, from RMB244.5 million in the six months ended 30 June 2011 to RMB331.8 million in the six months ended 30 June 2012, which primarily reflected an increase in all major components, reflecting the expanded operations in the six months ended 30 June 2012.

Labor costs related to the restaurants, central kitchens and central warehouses increased by RMB33.6 million, or 35.7%, from RMB94.1 million in the six months ended 30 June 2011 to RMB127.7 million in the six months ended 30 June 2012, which was in line with the expanded operations of the Group. As a percentage of our revenue, labor costs slightly increased from 19.0% in the six months ended 30 June 2011 and 19.7% in the six months ended 30 June 2012, primarily reflecting (i) a general increase of salary levels for our employees during the six months ended 30 June 2012, partially offset by (ii) our measures to improve the overall utilization of restaurant staff and control the headcount of staff per restaurant.

Occupancy costs related to restaurants, central kitchens and central warehouses increased by RMB21.1 million, or 26.5%, from RMB79.6 million in the six months ended 30 June 2011 to RMB100.7 million in the six months ended 30 June 2012. As a percentage of revenue from restaurant operations, occupancy costs decreased from 16.1% in the six months ended 30 June 2011 to 15.5% in the six months ended 30 June 2012, primarily attributed to the acceleration of our new restaurant revenue ramp-up in the six months ended 30 June 2012.

Depreciation charges related to the restaurants, central kitchens and central warehouses increased by RMB14.3 million, or 57.2%, from RMB25.0 million in the six months ended 30 June 2011 to RMB39.3 million in the six months ended 30 June 2012. As a percentage of our revenue, depreciation charges increased from 5.0% in the six months ended 30 June 2011 to 6.1% in the six months ended 30 June 2012.

General and administrative expenses

Administrative expenses increased by RMB7.9 million, or 19.3%, from RMB40.9 million in the six months ended 30 June 2011 to RMB48.8 million in the six months ended 30 June 2012, and as a percentage of revenue, administrative expenses decreased from 8.3% to 7.5% during the same periods. These decreases primarily reflected the increase of our economy scale and our control of the headcount at our headquarters in 2012.

Income tax expenses

Income tax expenses increased by RMB5.0 million, or 42.7%, from RMB11.7 million in the six months ended 30 June 2011 to RMB16.7 million in the six months ended 30 June 2012, primarily reflecting increases in profit before tax during the same periods. The overall effective tax rate decreased from 23.9% in the six months ended 30 June 2011 to 22.9% in the six months ended 30 June 2012.

Profit for the period

As a result of the foregoing, the profit for the period increased by RMB19.2 million, or 51.7%, from RMB37.0 million in the six months ended 30 June 2011 to RMB56.2 million in the six months ended 30 June 2012. The net profit margin increased from 7.5% in the six months ended 30 June 2011 to 8.7% in the six months ended 30 June 2012.

Dividends payable

For the six months ended 30 June 2012, the Group paid out dividends payable of RMB27.6 million (withholding tax on dividends) and settled dividends payable of RMB164.7 million by netting off the same amount of amounts due from the Controlling Shareholder and the companies controlled by the Controlling Shareholder. As at 30 June 2012, there was no outstanding dividends payable.

Liquidity, financial resources and cash flow

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

As at 30 June 2012, the Group's total interest-bearing bank loans were RMB129.6 million, which were repayable within one year.

The Group had net cash inflows from operating activities of RMB74.3 million for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB83.0 million). As at 30 June 2012, the Group had RMB80.6 million in cash and cash equivalents (31 December 2011: RMB180.0 million). The following table sets the certain information regarding the consolidated cash flows for the periods ended 30 June 2012 and 2011.

	For the six months ended 30 June	
	2012	**2011**
	(RMB'000)	*(RMB'000)*
	(audited)	*(unaudited)*
Net cash flows from operating activities	74,251	83,041
Net cash flows used in investing activities	(86,447)	(116,392)
Net cash flows (used in)/from financing activities	(87,235)	2,576
Net decrease in cash and cash equivalents	(99,431)	(30,775)
Cash and cash equivalents at beginning of the period	179,956	92,661
Effect of foreign exchange rate changes, net	92	(125)
Cash and cash equivalents at end of the period	80,617	61,761

Operating activities

Net cash inflow from operating activities decreased by RMB8.7 million from RMB83.0 million in the six months ended 30 June 2011 to RMB74.3 million in the six months ended 30 June 2012, which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB122.0 million (six months ended 30 June 2011: RMB78.2 million), (ii) changes in working capital represented decrease of cash of RMB26.8 million (six months ended 30 June 2011: increase of cash of RMB22.5 million).

Investing activities

Net cash flow used in investing activities was RMB86.4 million in the six months ended 30 June 2012, representing a decrease by RMB30.0 million compared to the same period in 2011. It is mainly due to a decrease of cash outflow amounting to RMB27.8 million for purchase of leasehold improvements, furniture, fixtures and equipments and construction in progress in connection with decorating and refurbishing the existing and new restaurants and software with development of the enterprise resource planning systems.

Financing activities

Net cash flow of financing activities changed from an inflow of RMB2.6 million during the six months ended 2011 to an outflow of RMB87.2 million during the six months ended 30 June 2012, representing a decrease of RMB89.8 million, was primarily attributable to (i) proceeds from bank loans of RMB40.0 million (six months ended 30 June 2011: RMB91.6 million) (ii) payment of dividends of RMB27.6 million (six months ended 30 June 2011: 7.2 million), (iii) payment of IPO expenses of RMB17.9 million (six months ended 30 June 2011: Nil).

Foreign Currency Exposure

The Group's exposure to the risk of changes in foreign exchange rates relates preliminary to the Group's operating activities (when revenue or expenses are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: 0.8%), are denominated in currencies other than the functional currency of the relevant business. The Group has minimal exposure of foreign exchange risk.

Net Current Liabilities

The Group recorded net current liabilities of RMB145.4 million as at 30 June 2012, an increase of RMB5.5 million compared to the net current liabilities recorded as at 31 December 2011, which primarily reflects the increased capital expenditures incurred in relation to the accelerated pace of expansion in the six months ended 30 June 2012.

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

Contingent Liabilities

There were no significant contingent liabilities for the Group as at 30 June 2012 and 31 December 2011.

Operating Lease Arrangements

As lessee

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

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Within one year	183,009	170,609
In the second to fifth years, inclusive	706,826	626,669
After five years	397,260	447,312
	1,287,095	1,244,590

Capital Commitment

Capital commitments were approximately RMB47.9 million and RMB50.3 million as at 30 June 2012 and 31 December 2011, respectively.

Auditors' Report

The audit opinion that will be issued for the consolidated interim financial statements of the Group for the six months ended 30 June 2012, will include the following paragraph:

"Without qualifying our opinion, we draw your attention to the fact that the corresponding figures set out in the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related notes for the six-month period ended 30 June 2011 have not been audited."

Human Resources

The salary level of employees in the restaurant industry has been generally increasing in recent years. Employee attrition levels tend to be higher in the food services industry than in other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 30 June 2012, the Group recruited about 4,945 employees in China and Hong Kong. During the six months ended 30 June 2012, total staff cost was RMB162.5 million, 25.1% of the revenue (six months ended 30 June 2011: RMB123.8 million, 25.0% of the revenue).

INTERIM DIVIDENDS

The Board has resolved to declare an interim dividend of HK$1.4 cents per share, totalling HK$20,650,000 (approximately RMB16,834,000) for the six months ended 30 June 2012. The interim dividend will be paid on or about 28 September 2012 to the members whose names appear on the register of members of the Company on 19 September 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders' entitlements to the interim dividend, the register of members of the Company will be closed from 17 September 2012 to 19 September 2012, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 14 September 2012.

CORPORATE GOVERNANCE CODE

As the Company's shares had yet to be listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as at 30 June 2012, the Company has not adopted the principles and code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2012. The Company has adopted the Corporate Governance Code upon the listing on the Stock Exchange and is in compliance with all the code provisions in the Corporate Governance Code since the listing of the Company on 4 July 2012 up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

As at 30 June 2012, the shares of the Company had yet to be listed on the Stock Exchange, the Directors were not aware of any issues of directors and relevant employees not in compliance with the Model Code.

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

As the Company's shares had yet to be listed on the Stock Exchange as at 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 8 June 2012 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors.

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

The Audit Committee has discussed with the Company's management and external auditors, the accounting principles and practices adopted by the Company and has reviewed the audited consolidated financial statements of the Group for the six months ended 30 June 2012.

PUBLICATION OF INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.xiaonanguo.com). The interim report of the Company for the six months ended 30 June 2012 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the aforesaid websites in due course.

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

Shanghai, the People's Republic of China, 29 August 2012

As at the date of this announcement, the executive Directors are Ms. WANG Huimin, Ms. WU Wen and Mr. KANG Jie, the non-executive Directors are Ms. WANG Huili, Mr. TANG Donald Wei, Mr. WENG Xiangwei and Mr. Wang Hairong and the independent non-executive Directors are Mr. TSANG Henry Yuk Wong, Mr.WANG Chiwei, Mr. WANG Yu and Mr. Chen Anjie.