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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: 3666)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2012	2011	% Change increase/ (decrease)
Revenue *(RMB'000)*	**1,332,298**	1,088,582	22.4%
Gross profit[1] *(RMB'000)*	**907,762**	727,240	24.8%
Gross margin[2]	**68.1%**	66.8%	1.3%
Profit for the year *(RMB'000)*	**118,530**	107,019	10.8%
Net profit margin[3]	**8.9%**	9.8%	(0.9%)
Earnings per share – Basic	**RMB9.27 cents**	RMB10.78 cents	
Interim dividend paid *(HK$ cents)*	**1.4**	–	
Proposed dividend *(HK$ cents)*	**2.6**	–	
Number of restaurants[4] (as at 31 December)	**72**	58	

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 year divided by revenue.
4 Number of restaurants as at 31 December 2012 includes 66 Shanghai Xiao Nan Guo restaurants, 4 Maison De L'Hui restaurants and 2 The Dining Room restaurants.

ANNUAL 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 annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2012, together with comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	4(a)	**1,332,298**	1,088,582
Cost of inventories consumed		**(424,536)**	(361,342)
Gross profit		**907,762**	727,240
Other income	4(b)	**45,966**	30,086
Selling and distribution expenses		**(689,186)**	(525,135)
Administrative expenses		**(106,006)**	(85,252)
Other expenses		**(397)**	(2,364)
Finance costs		**(6,125)**	(3,287)
PROFIT BEFORE TAX	5	**152,014**	141,288
Income tax expenses	6	**(33,484)**	(34,269)
PROFIT FOR THE YEAR		**118,530**	107,019
Attributable to:			
Owners of the Company		**118,530**	107,019
Earnings per share attributable to ordinary equity holders of the Company			
– Basic	8	**RMB9.27 cents**	RMB10.78 cents
– Diluted	8	**RMB9.27 cents**	RMB10.75 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**118,530**	107,019
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(1,938)**	(2,847)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**116,592**	104,172
Attributable to:		
Owners of the Company	**116,592**	104,172

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property and equipment		**614,806**	500,239
Intangible assets		**4,636**	2,448
Available-for-sale investments		**100**	100
Long-term rental deposits		**50,390**	41,541
Deferred tax assets		**33,873**	21,332
Other long-term assets		**581**	793
Total non-current assets		**704,386**	566,453
CURRENT ASSETS			
Inventories		**58,613**	46,762
Trade receivables	*9*	**26,829**	20,088
Prepayments, deposits and other receivables	*10*	**111,794**	263,298
Cash and cash equivalents	*11*	**416,797**	179,956
Total current assets		**614,033**	510,104
CURRENT LIABILITIES			
Trade payables	*12*	**82,238**	97,440
Interest-bearing bank loans		**156,795**	129,571
Tax payable		**28,012**	19,436
Dividends payable		**–**	192,314
Other payables and accruals	*13*	**189,108**	208,571
Deferred income		**1,981**	2,669
Total current liabilities		**458,134**	650,001
NET CURRENT ASSETS/(LIABILITIES)		**155,899**	(139,897)
TOTAL ASSETS LESS CURRENT LIABILITIES		**860,285**	426,556

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2012

	Notes	31 December 2012 RMB'000	31 December 2011 RMB'000
NON-CURRENT LIABILITIES			
Long-term payables		**38,659**	32,622
Interest-bearing bank loans		**–**	37,895
Deferred tax liabilities		**1,359**	1,779
Total non-current liabilities		**40,018**	72,296
Net assets		**820,267**	354,260
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	*14*	**12,032**	9,262
Reserves		**777,244**	344,998
Proposed final dividend	*7*	**30,991**	–
Total equity		**820,267**	354,260

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 this year.

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 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12: – *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised)	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 Amendments	*Employee Benefits*[2]
IAS 27 (Revised)	*Separate Financial Statements*[2]
IAS 28 (Revised)	*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 principally engaged in the 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***

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Mainland China	**1,138,948**	927,395
Hong Kong	**193,350**	161,187
	1,332,298	1,088,582

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

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

	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Mainland China	**589,570**	489,333
Hong Kong	**80,843**	55,688
	670,413	545,021

The non-current asset information above is based on the location of the 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 years ended 31 December 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:

		For the year ended 31 December	
		2012	2011
		RMB'000	*RMB'000*
(a)	**Revenue**		
	Restaurant operations	**1,286,072**	1,052,411
	Other revenue	**46,226**	36,171
	Revenue, net	**1,332,298**	1,088,582
(b)	**Other income**		
	Government grants	**23,282**	11,914
	Bank interest income	**4,368**	374
	Management fee	**3,000**	3,000
	Compensation income from landlords	**4,867**	7,883
	Service income	**2,000**	3,743
	Foreign exchange differences	**5,996**	982
	Others	**2,453**	2,190
		45,966	30,086

5. PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Cost of inventories consumed	**424,536**	361,342
Depreciation	**81,466**	57,390
Amortisation of intangible assets	**585**	467
Amortisation of other long-term assets	**212**	212
Minimum lease payments under operating lease on buildings	**212,946**	164,450
Auditors' remuneration	**3,139**	323
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**262,290**	210,917
Equity-settled share option expense	**2,651**	4,218
Defined contribution pension scheme	**68,939**	50,704
	333,880	265,839
Bank interest income	**(4,368)**	(374)
Loss on disposal of items of property and equipment	**258**	1,954

6. INCOME TAX EXPENSES

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Group:		
Current – Mainland China charged for the year	**44,853**	36,822
Current – Hong Kong charged for the year	**1,592**	2,350
Deferred income tax	**(12,961)**	(4,903)
Total tax charge for the year	**33,484**	34,269

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

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

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

According to the PRC Corporate Income Tax ("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%.

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 year ended 31 December 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 calculated at 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 – For the year ended 31 December 2012

	Mainland China		**Hong Kong**		**Total**	
	RMB'000	***%***	***RMB'000***	***%***	***RMB'000***	***%***
Profit before tax	**136,754**		**15,260**		**152,014**	
Tax at the statutory tax rate	**34,189**	**25.0**	**2,518**	**16.5**	**36,707**	**24.2**
Income not subject to tax	**–**	**–**	**(1,612)**	**(10.6)**	**(1,612)**	**(1.1)**
Overseas's share option expenses deductable for tax	**(2,102)**	**(1.5)**	**–**	**–**	**(2,102)**	**(1.4)**
Expenses not deductible for tax	**396**	**0.3**	**95**	**0.6**	**491**	**0.3**
Tax charge at the Group's effective rate	**32,483**	**23.8**	**1,001**	**6.5**	**33,484**	**22.0**

Group – For the year ended 31 December 2011

	Mainland China		Hong Kong		Total	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Profit before tax	124,642		16,646		141,288	
Tax at the statutory tax rate	31,161	25.0	2,747	16.5	33,908	24.0
Tax concession or lower tax rate enacted by local authority	(570)	(0.5)	–	–	(570)	(0.4)
Income not subject to tax	–	–	(346)	(2.1)	(346)	(0.2)
Expenses not deductible for tax	1,330	1.1	–	–	1,330	0.9
Effect for different tax rate used for the recognition of deferred tax	(53)	(0.0)	–	–	(53)	(0.0)
Tax charge at the Group's effective rate	31,868	25.6	2,401	14.4	34,269	24.3

7. DIVIDENDS

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Interim – HK$0.014 (2011: Nil) per ordinary share	**16,834**	–
Proposed final – HK$0.026 (2011:Nil) per ordinary share	**30,991**	–
	47,825	–

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).

The proposed final dividend of HK$0.026 per ordinary share (2011: Nil) amounting to a total sum of approximately HK$38,350,000 (approximately equivalent to RMB30,991,000) for the year has been proposed by the directors and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Dividends payable as at 31 December 2011 represented the outstanding dividends payable to the then shareholders of the Company, which were paid or offset from the amount due from Controlling Shareholder during the year ended 31 December 2012.

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

The calculation of basic earnings per share for the year ended 31 December 2012 is based on the consolidated profit attributable to the equity holders of the Company and the weighted average number of ordinary shares of 1,278,287,671 (2011: 992,380,948) in issue during the year. The calculation of basic earnings per share for the year ended 31 December 2011 is based on the consolidated profit attributable to the equity holders of the Company and 992,380,948 shares which is arrived (i) on the assumption that the 1,000,000 ordinary shares under the capitalisation issue were in issue throughout the period and (ii) taking into account the rights issue of 1,109,000,000 ordinary shares and (iii) not taking into account 25,000,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

The calculation of diluted earnings per share amount is based on the profit for the year 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:

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**118,530**	107,019

	For the year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,278,287,671**	992,380,948
Effect of dilution – weighted average number of ordinary shares:		
Share options	**738,740**	3,231,190
Number of ordinary shares used in the diluted earnings per share calculation	**1,279,026,411**	995,612,138

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 minimize credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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

	The Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Within 1 month	**18,988**	14,966
1 to 2 months	**2,620**	2,097
2 to 3 months	**751**	1,186
Over 3 months	**4,470**	1,839
	26,829	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

	The Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Deposits and other receivables	**29,975**	28,535
Prepaid expense	**27,097**	26,358
Amount due from the Controlling Shareholder	**–**	56,258
Amount due from companies owned by the Controlling Shareholder	**29,506**	126,540
Amount due from a Director of major subsidiaries in Hong Kong	**365**	354
Prepayments	**24,851**	25,253
	111,794	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

	The Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Cash and bank balances, unrestricted	**221,026**	177,700
Time deposits with original maturity of less than three months	**195,771**	2,256
Cash and cash equivalents	**416,797**	179,956

The cash and bank balances and time deposits of the Group's subsidiaries in mainland China denominated in RMB amounted to RMB203,766,000 and RMB159,173,000 as at 31 December 2012 and 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:

	The Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Within 3 months	**76,528**	95,318
3 months to 1 year	**4,721**	1,672
Over 1 year	**989**	450
	82,238	97,440

Included in the trade payables balance as at 31 December 2011, there were payable balances due to WHM Japan Co., Ltd. of RMB445,000. 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 of receiving the invoice.

13. OTHER PAYABLES AND ACCRUALS

	The Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Payroll and welfare payables	**29,786**	26,334
Taxes other than CIT	**7,378**	7,173
Other payables for construction in progress	**65,816**	92,411
Accruals and other payables	**27,294**	19,560
Advance from customers	**58,369**	58,023
Amounts due to companies owned by the Controlling Shareholder	**465**	5,070
	189,108	208,571

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

14. SHARE CAPITAL

Shares

	31 December 2012	31 December 2011
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)	**1,475,000,000**	1,135,000,000
Equivalent to RMB'000	**12,032**	9,262

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

	Number of issued and fully paid ordinary shares	Nominal value of ordinary shares *HK$'000*	Share premium *HK$'000*	Equivalent nominal value of ordinary shares *RMB'000*	Equivalent share premium *RMB'000*
Balance as at 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
Issue of new shares *(note (e))*	341,250,000	3,413	508,461	2,780	414,346
Share issue expense	–	–	(61,965)	–	(53,528)
At 31 December 2012	**1,475,000,000**	**14,750**	**589,781**	**12,032**	**477,790**

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) In connection with the Company's initial public offering, 341,250,000 ordinary shares of HK$0.01 each were issued at a price of HK$1.50 per share, for a total cash proceed, before share issue expenses, of approximately HK$511,875,000 (equivalent to approximately RMB417,126,000). Dealings in these shares on the Stock Exchange commenced on 4 July 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Over the past year, the restaurant sector in China has faced a number of headwinds – slower economic growth, rising raw material and labour costs, and the Central Government's curtailment of lavish spending and frugality drive put many restaurants out of business or facing intense operating and profit decline. Nevertheless, the catering industry remains one of the sectors that drive domestic demand and consumption that is encouraged and supported by the government, and it is still a very substantial market with continuous growth. With a visionary board and management leadership, Xiao Nan Guo has managed to overcome many of those challenges and has capitalized on the opportunities brought by such market changes, and has become a more established leading position in the food and catering sector.

Financial Performance

We are pleased to report strong operating and financial performance in 2012. Revenue increased 22.4% to RMB1,332.3 million and net profit rose 10.8% to RMB118.5 million. We were able to maintain gross margin of 68.1% and net profit of 8.9% despite increased operating costs.

Operations Review

In 2012, we opened 15 new restaurants, compared to 22 in 2011. Fewer stores were opened than budgeted was due to the economic slowdown and delays in receiving premises from property developers. Nevertheless, new stores performed very well – with 13 Shanghai Min and two "the dining room", a new brand, both recorded operating profit by year end. The satisfactory performance of our new stores was partly attributable to improvements in overall restaurant planning and site selection, and our ability to adjust our business strategies in a timely manner and enter into new markets despite a challenging operating environment.

We successfully created a third brand last year – the dining room – targeting the personal spending of the mass market segment. With its casual settings and a mid-priced menu, two restaurants were opened in Hong Kong, which were profitable within the first month of operation and we anticipate to attaining investment payback within 15 months. Within a short period of time, this exciting new brand was well received among Hong Kong consumers and also attracted local media attention. This new brand represents significant, long-term profit and growth potential for Xiao Nan Guo.

Although facing an evolving and demanding market environment since launch in 2010, our high-end catering and restaurant brand Maison De L'Hui has attained profit in 2012. Maison De L'Hui provides delicious and healthy Cantonese and Shanghainese cuisines in an elegant and stylish dining environment with quality services. With a start-up operating loss of RMB5.5 million recorded in 2011, Maison De L'Hui successfully achieved operating profit of RMB6.4 million in 2012, and earned customers recognition.

Our core brand "Shanghai Min" has been facing challenging market condition including government directives on frugality drive and anti-extravagance campaign. The negative effect has been offset to a certain extent by the success of management's foresight implemented a few years ago by establishing restaurants in local communities and shopping malls as we anticipated the growth potential of urbanization; increase in discretionary spending of the burgeoning middle income class, which was supported by the implementation of a multi-brand strategy. In addition, a series of marketing and sales promotion were launched to attract recurring and new customers, to increase table turnover and drive sales with enhanced products and service. In 2012, our Customer Relationship Management (CRM) member base has grown 95,863 significantly to 236,014 as we upgraded our system and ramped up our marketing communication campaign. Besides all these, we have won number of awards in different cities of China and in Hong Kong.

Another new line of business, Xiao Nan Guo branded packaged products, has been well received and is achieving satisfactory sales growth, although its contribution to revenue remains relatively low at this stage. Our branded products enable us to broaden our brand exposure as they are sold in upscale supermarkets and other channels, in addition to our own restaurants.

Moreover, efficient cost management were achieved in 2012 as we effectively and efficiently controlled and strengthened our procurement and supply chain management, while reducing wastage and with the help of economies of scale, our gross profit margin increased from 66.8% in the previous year to 68.1% in 2012 without sacrificing the quality of food quality. At the same time, headquarters management expenses as a percentage of operating revenue dropped significantly compared with the previous year. This reflected economies of scale achieved by successfully growing the company's operation scale. Although our net profit margin ultimately recorded a decrease from 9.8% in 2011 to 8.9% in 2012, it was attributable to the rise in labor cost and increase in depreciation.

In 2012, thanks to the efforts by all our staff, all brands under Xiao Nan Guo have very good performance, and have gained awards and recognition from our customers, media and various organizations. The table below set out some of the awards won by Xiao Nan Guo during the period.

Award		**Awarding Organization**
Shanghai Xiao Nan Guo	2012 Most Favorable Chinese Cuisine Restaurant in Shanghai – Number One Restaurant (2012上海地區吃貨最喜愛的」中華料理「餐廳第一名」)	CCTV (中國中央電視台), Sina Mini Blog (新浪微博)
	Best Local Shanghainese Cuisine (上海最佳本幫菜)	《申江服務導報》
	Most Popular Restaurant (最受歡迎餐廳)	Restaurant Review (《橄欖餐廳評論》) and Italy National Wine Industry Promotion Center (意大利酒業促進中心)
	The Best Local Cuisine of the Year (年度最佳本幫菜)	Lifeweekly (《生 活 周刊》)
	「野生烤子魚」,「老醋海蜇頭」,「三文魚馬蘭頭」,「飄香牛仔骨」,「吉品牛肉炒明蝦球」 were awarded Famous Cuisine in Shanghai (「上海名特菜點」)	Shanghai Catering and Cooking Industry Association (上海市餐飲烹飪行業協會)
	Xiao Nan Guo (Kowloon Bay) – Michelin Restaurant(小南國(九龍灣) – 推介為「米芝蓮車胎人美食」餐廳)	Michelin Guide Hong Kong Macau (米芝蓮指南香港澳門)
	The Most Favorable Restaurant 2012 – The Most Favorable Provincial Cuisine (我最喜愛的食肆選舉2012 – 我最喜愛的外省菜館)	《U Magazine》
	集團安全表現獎(中式酒樓) – 銀獎	Catering Industry Safety Award Scheme – Restaurants (飲食業安全獎勵計劃食肆組)
Maison De L'Hui	The Best Restaurant (最佳餐廳)	Modern Weekly (《周末畫報》)
	The Best Restaurant (最佳餐廳)	TATLER (《尚流》)
	Famous Restaurant (人氣餐廳)	Restaurant Review (《橄欖餐廳評論》) and Italy National Wine Industry Promotion Center (意大利酒業促進中心)
"The Dining Room"	Top Tables 2012	《HK Magazine》
	My Favorable New Restaurant (我最喜愛的新食力)	《U Magazine》

Others	2012 Shanghai Famous Brand (2012年度上海名牌)	Shanghai Municipal Commission of Commerce (上海市商務委), Shanghai Brand Office (上海市名牌辦)
	2012 Food Healthy Seven Stars Award in China (2012中國食品健康七星獎) and Trust – 100 Most Trustworthy Food Brand for Consumers (信賴 • 100最受消費者信賴的食品品牌)	CBNWeekly (第一財經)
	Ms Wang Huimin was awarded "Outstanding Entrepreneur in China's Catering Industry" (「中國餐飲業優秀企業家」)	China Cuisine Association (中國烹飪協會)
	Ms Wang Huimin was awarded "2012 Top 10 Outstanding Businessmen in Shanghai" (「2012年上海商業十大傑出人物」)	Shanghai Commerce Association (上海商業聯合會)
	Ms Wang Huimin was awarded "Outstanding Entrepreneur in Shanghai's Catering Industry" (上海餐飲業優秀企業家)	Shanghai Catering and Cooking Industry Association (上海市餐飲烹飪行業協會)
	Mr. Kang Jie was awarded "Outstanding Manager of Shanghai's Catering Industry" (上海餐飲業優秀職業經理人)	Shanghai Catering and Cooking Industry Association (上海市餐飲烹飪行業協會)
	Outstanding Brand Enterprise in Shanghai's Catering Industry (上海餐飲業優秀品牌企業)	Shanghai Catering and Cooking Industry Association (上海市餐飲烹飪行業協會)
	2012 Top 50 High Growth Chain Stores In China (2012年中國高成長連鎖企業50強)	Entrepreneur (《創業邦》)

STRATEGIC PLAN

Store additions

For 2013, we plan a net store addition of 22 new restaurants in cities where we currently operate and 3-4 new tier-2 cities. This will increase our economies of scale and market share. Over the past few years, we strategically decided to open our restaurants in commercial centres and shopping malls, where there is a diversified mix of business and family customers, to whom we offer hundreds of healthy and delicious dishes in roomy and attractive dining rooms. And nearly a third of our sales have been from repeat patrons who are members of our customer loyalty program – this helps stabilize our traffic flow and revenue. Therefore, Xiao Nan Guo or "Shanghai Min" will remain our core brand for restaurant expansion, together with "the dining room", as personal consumer spending continues to make a larger, significant contribution to China's GDP growth.

Customer Satisfaction

Enhancing XNG's overall dining experience will remain our core focus in 2013. From quality service to product and ambiance excellence, we aim to provide customers with overall satisfactory and good value for money. And to help measure customer satisfaction, we have implemented a number of procedures, including a 'mystery shopper' program to continuously monitor how well we are doing and where there is room for improvement. The Company management will lead this focus to ensure that customer satisfaction remains a constant outcome at our restaurants.

Acquisition Opportunities

The restaurant sector in China is highly fragmented, consisting of many thousands of independent and chain operations. In this intensely competitive sector, a growing number of operators may not have sufficient human and financial resources to maintain adequate profitability. We expect this will provide us with opportunities to expand by acquiring existing restaurants and brands. The most attractive prospects will be restaurant operations with an established brand and a promising customer base, and where we could achieve operational and financial synergies.

Brand Enhancements

We will also focus on building our brands in Tier 1 cities, where we will launch a series of brand building campaign that dovetails with our customer service initiative, product improvements, and upgrades to our dining environment and ambiance. We also plan to renovate 3-4 stores in 2013 to improve our brand image. Also we are looking at unique premises and locations that offer high brand exposure to drive up revenue and raise brand awareness.

Outlook

The mid-range to high-end, full-service restaurant market is projected to grow rapidly in China with increased urbanization and discretionary spending by the country's burgeoning middle class. We will leverage our distinct competitive advantages and execute a sensible strategic plan to expand our networks of restaurants, with multiple brands, by leveraging our hub-and-spoke strategy.

At the same time, we will further strengthen operational infrastructure with the right combination of food safety assurance, experienced and motivated staff, efficient systems & procedures and creative product development. These improvements, along with enhanced marketing and brand recognition, will enhance our 'same-store' sales growth and profitability.

We have the resources and capabilities to achieve company's mission and pursue its vision. So what lies ahead, we confidently foresee, our company are continued dining satisfaction for our customers, and attractive returns for our shareholders.

FINANCIAL REVIEW

For the year of 2012, the Group's revenue reached RMB1,332.3 million, representing an increase of RMB243.7 million or 22.4% compared to RMB1,088.6 million for 2011. Gross profit of the Group was RMB907.8 million, an increase of approximately RMB180.6 million or 24.8% compared to approximately RMB727.2 million for 2011. Profit of the Group reached RMB118.5 million, representing an increase of RMB11.5 million or 10.8% compared to RMB107.0 million for 2011.

At 31 December 2012, the Group operated the restaurant network of 66 Shanghai Xiao Nan Guo restaurants, 4 Maison De L'Hui restaurants and 2 "The Dining Room" restaurants, which cover some of the most affluent and fastest-growing cities in China (Note(i)) and Hong Kong. The following table sets forth revenue and the number of the restaurants in operation, by geographical region and brand for the years ended 31 December 2012 and 2011.

	For the year ended 31 December			
	2012		2011	
	Number of restaurants	**Revenue** *RMB'000*	Number of restaurants	Revenue *RMB'000*
China (i)				
– Shanghai Xiao Nan Guo (ii)	**57**	**1,043,862**	47	846,230
– Maison De L'Hui (ii)	**4**	**48,860**	3	44,994
Hong Kong				
– Shanghai Xiao Nan Guo	**9**	**173,070**	8	161,187
– The Dining Room	**2**	**20,280**	–	–
Total revenue of restaurant operations	**72**	**1,286,072**	58	1,052,411
Other revenue		**46,226**		36,171
Total revenue		**1,332,298**		1,088,582

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.

(ii) The revenue generated in China from the brand of Shanghai Xiao Nan Guo in 2012 included the revenue came from a restaurant that was just converted to the Maison De L'Hui brand and the revenue came from a restaurant that has been closed because of the restructuring of that property by the landlord in 2012.

Revenue

Revenue of the Group increased by RMB243.7 million, or 22.4%, from RMB1,088.6 million in 2011 to RMB1,332.3 million in 2012. This increase was due to an increase of RMB233.7 million in revenue from the restaurant operations and an increase of RMB10.0 million in revenue from other businesses during the year.

Revenue from restaurant operations

Revenue from restaurant operations increased by RMB233.7 million, or 22.2%, from RMB1,052.4 million in 2011 to RMB1,286.1 million in 2012 primarily reflecting:

- a RMB51.4 million increase in revenue from 13 Shanghai Xiao Nan Guo restaurants that were newly opened during 2012;
- a RMB205.2 million increase in revenue from the 21 Shanghai Xiao Nan Guo restaurants that were newly opened during 2011;

- the offsetting effect brought by a RMB55.8 million drop, representing 7.1% decrease in comparable restaurants sales (note (i)) from 28 Shanghai Xiao Nan Guo restaurants from 2011 to 2012 due to slowing macroeconomic growth.

- a RMB5.1 million increase from the ramp-up of one Maison De L'Hui restaurant newly opened during 2011;

- a RMB11.4 million increase, representing 40.9% increase, in comparable restaurant sales (note (i)) from 2 Maison De L'Hui restaurants from 2011 to 2012;

- a RMB20.3 million increase from two "The Dining Room" restaurants that were newly opened in 2012;

- during 2011 and 2012 we remodeled, changed lease space or location, re-branded or closed 6 Shanghai Xiao Nan Guo and Maison De L'Hui restaurants, resulted in decrease of revenue of RMB22.4 million.

Note(i): As a whole, our comparable restaurant sales from 30 restaurants (including Shanghai Xiao Nan Guo restaurants and Maison De L' Hui restaurants) decreased RMB44.4 million, representing 5.4% decrease from 2011 to 2012.

Revenue from other businesses

Revenue from other businesses increased by RMB10.0 million, or 27.6%, from RMB36.2 million in 2011 to RMB46.2 million in 2012, which primarily reflected the increase in sales of our branded food products.

Cost of inventories consumed

Cost of inventories consumed increased by RMB63.2 million, or 17.5%, from RMB361.3 million in to RMB424.5 million in 2012, which was primarily due to an increase in quantities of food and beverages consumed in our operations, in line with rising revenue in 2012.

Cost of inventories consumed as a percentage of the revenue decreased from 33.2% in 2011 to 31.9% in 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 operation and centralization of supply purchases.

Other income

Other income increased by RMB15.9 million, from RMB30.1 million in the 2011 to RMB46.0 million in 2012, primarily reflecting (i) an increase of RMB11.4 million in the government grants received in 2012 when compared with 2011, including an one-off subsidy of RMB3.65 million received as incentives for our Company's listing and relocation of our headquarter in the PRC; (ii) an increase of RMB5.0 million of exchange gain generated from the remittance arrangement of the funds raised from the Listing in 2012 when compared to 2011; (iii) interest income earned from bank deposit from the proceeds of our listing increased by RMB4.0 million in 2012 when compared to 2011; (iv) a decrease of RMB3.0 million in compensation from certain landlords in 2012 when compared to 2011; and (v) a decrease of RMB1.7 million in promotion service income from our restaurant's advertising service in 2012 when compared to 2011.

Selling and distribution costs

Selling and distribution costs increased by RMB164.1 million, or 31.3%, from RMB525.1 million in 2011 to RMB689.2 million in 2012, which primarily reflected an increase in all our major cost components, as a result of the expansion of our operations in 2012 and rise in labor cost.

Labor costs related to the restaurants, central kitchens and central warehouses increased by RMB60.4 million, or 29.7%, from RMB203.2 million in 2011 to RMB263.6 million in 2012. Labor costs as a percentage of our revenue increased from 18.7% in 2011 to 19.8% in 2012, primarily reflecting (i) a general increase of salary levels for our employees during 2012, partially offset by (ii) our measures to improve the overall efficiency of restaurant staff and control the headcount of staff per restaurant.

Occupancy costs related to restaurants, central kitchens and central warehouses increased by RMB46.4 million, or 28.8%, from RMB161.1 million in 2011 to RMB207.5 million in 2012. Occupancy costs as a percentage of our revenue up from14.8% in 2011 to 15.6% in 2012, primarily attributed to the sales of comparable restaurants dropped in 2012 as a result of slow down in macroeconomic growth and the number of our new restaurants continued to rise.

Depreciation charges related to the restaurants, central kitchens and central warehouses increased by RMB25.6 million, or 45.6%, from RMB56.1 million in 2011 to RMB81.7 million in 2012. Depreciation charges as a percentage of our revenue increased from 5.2% in 2011 to 6.1% in 2012, primarily attributed to the sales of comparable restaurants dropped in 2012 as a result of slow down in macroeconomic growth and the number of our new restaurants continued to rise.

General and administrative expenses

Administrative expenses increased by RMB20.7 million, or 24.3%, from RMB85.3 million in 2011 to RMB106.0 million in 2012. Such increase primarily reflected the increase in the major components in our expenses.

Labor cost of headquarter and management staff increased RMB7.7 million from RMB62.6 million in 2011 to RMB70.3 million in 2012, representing an increase of 12.3%. Labor costs of headquarter and management staff as a percentage of our revenue declined from 5.8% in 2011 to 5.3% in 2012. Such decline mainly reflecting the expansion of our economies of scale and we controlled the headcounts of our headquarter in 2012.

Other administrative expenses increased RMB13.0 million from RMB22.7 million in 2011 to RMB35.7 million in 2012, representing an increase of 57.3%. Other administration expenses as a percentage of our revenue increased from 2.1% in 2011 to 2.7% in 2012. Such increase mainly attributable to the listing and the relevant expenses recorded in 2012.

Income tax expenses

Income tax expenses decreased by RMB0.8 million, or 2.3%, from RMB34.3 million in 2011 to RMB33.5 million in 2012, primarily reflecting the overall effective tax rate decreased from 24.3% in 2011 to 22.0% in 2012. Decrease in the overall effective tax rate was mainly due to an increase in non-taxable income and expenses of overseas's share options that can be used to deduct income tax.

Profit for the year

As a result of the foregoing, the profit for the year increased by RMB11.5 million, or 10.7%, from RMB107.0 million in 2011 to RMB118.5 million in 2012. The net profit margin decreased from 9.8% in 2011 to 8.9% in 2012.

Dividends payable

In 2012, the Group paid out dividends of RMB44.4 million (withholding tax on dividends and interim dividends) and settled dividends payable of RMB164.7 million by netting off the same amount in the amounts due from the Controlling Shareholder and the companies controlled by the Controlling Shareholder. As at 31 December 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 31 December 2012, the Group's total interest-bearing bank loans were RMB156.8 million, which were repayable within one year.

In 2012, the Group had net cash inflows from operating activities of RMB171.2 million (2011: RMB145.9 million). As at 31 December 2012, the Group had RMB416.8 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 years ended 31 December 2012 and 2011.

	As at ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net cash flows from operating activities	**171,226**	145,912
Net cash flows used in investing activities	**(228,971)**	(250,234)
Net cash flows from financing activities	**296,531**	192,728
Net increase in cash and cash equivalents	**238,786**	88,406
Cash and cash equivalents at beginning of the year	**179,956**	92,661
Effect of foreign exchange rate, net	**(1,945)**	(1,111)
Cash and cash equivalents at end of the year	**416,797**	179,956

Operating activities

Net cash inflow from operating activities increased by RMB25.3 million from RMB145.9 million in 2011 to RMB171.2 million in 2012, which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB238.9 million (2011: RMB208.4 million), (ii) changes in working capital resulting a decrease in cash of RMB29.8 million (2011: decrease in cash of RMB29.3 million).

Investing activities

Net cash flow used in investing activities was RMB229.0 million in 2012, representing a decrease of RMB21.3 million compared to 2011. It is mainly due to a decrease of cash outflow amounting to RMB17.0 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 for development of the enterprise resource planning systems.

Financing activities

Net cash flow of financing activities changed from an inflow of RMB192.7 million during 2011 to an inflow of RMB296.5 million during 2012, representing a increase of RMB103.8 million, which was primarily attributable to (i) proceeds from IPO of RMB417.1 million (2011 proceeds from private fund raising activities: RMB129.8 million) (ii) proceeds from bank loans of RMB158.9 million (2011: RMB213.8 million); (iii) payment of dividends of RMB44.4 million (2011: RMB11.8 million); and (iv) payment of IPO expenses of RMB56.5 million (2011: 10.3 million).

Foreign Currency Exposure

The Group's exposure to the risk of changes in foreign exchange rates relates preliminary to the Group's operating activities (to the extent that revenue or expenses are denominated in a currency that is different from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for 2012 (2011: 0.3%), were denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure of foreign exchange risk.

Net Current Assets/Liabilities

The Group recorded net current assets of RMB155.9 million as at 31 December 2012, an increase of RMB295.8 million compared to the net current liabilities recorded as at 31 December 2011, which primarily reflected the effect brought by the fund raising completed in 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 31 December 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:

	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Within one year	**202,115**	170,609
In the second to fifth years, inclusive	**741,388**	626,669
After five years	**422,117**	447,312
	1,365,620	1,244,590

Capital Commitment

Capital commitments were approximately RMB41.5 million and RMB50.3 million as at 31 December 2012 and 31 December 2011, respectively.

Human Resources

The salary level of employees in the restaurant industry has been generally increasing in recent years. Employee attrition levels tend to be higher in the food services industry than in other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 31 December 2012, the Group recruited about 5,203 employees in China and Hong Kong. During 2012, total staff cost was RMB333.9 million, representing 25.1% of the revenue (2011: RMB265.8 million, 24.4% of the revenue).

Dividends

For the year ended 31 December 2012, the Group recommended a final dividend of HK$0.016 (2011: nil) and a special dividend of HK$0.010 (2011: nil) per ordinary share, subjected to the approval of the shareholders at the annual general meeting to be held on 5 June 2013.

Closure of register of members

The register of members of the Company will be closed from 30 May 2013 to 5 June 2013 (both days inclusive), during which period no transfers of shares will be registered, for ascertaining shareholders' entitlement to attend the forthcoming Annual General Meeting to be held on 5 June 2013. In order to be eligible to attend the forthcoming Annual General Meeting, all transfer shares of the Company accompanied by the relevant share certificates and transfer forms 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 29 May 2013.

The register of members of the Company will be closed from 12 June 2013 to 14 June 2013 (both days inclusive), during which period no transfers of shares will be registered, for ascertaining shareholders' entitlement to receive the proposed final dividend. In order to be eligible to receive the proposed final dividend, all transfer shares of the Company accompanied by the relevant share certificates and transfer forms 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 11 June 2013.

CORPORATE GOVERNANCE CODE

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has made various amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") contained in Appendix 14 of the Code of Corporate Governance (the "Original Code") and the revised Corporate Governance Code (the "Revised Code") has been effective from 1 April 2012.

The Company has adopted the Revised Code contained in the Revised Corporate Governance Code in Appendix 14 to the Listing Rules of the Stock Exchange as its code of corporate governance. From 4 July 2012 (the "Listing Date") to 31 December 2012, the Company has been in compliance with all the code provisions in the Revised Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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 securities of the Company. Having made specific enquiry to all of our directors, they have confirmed that they have been in compliance with the dealing requirements set out in the Model Code from the Listing Date to 31 December 2012.

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

The Company's shares were initially listed on the Main Board of the Stock Exchange on 4 July 2012. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2012.

REVIEW OF ANNUAL RESULTS

The Company has established an audit committee (the "Audit Committee") on 30 August 2011 with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code. The Audit Committee comprises Mr. Tsang Henry Yuk Wong, Mr. Weng Xiangwei and Mr. Wang Yu. Mr. Tsang Henry Yuk Wong has been appointed as the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2012. The Audit Committee is of the view that these financial statements has been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have been already been made.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND THE 2012 ANNUAL REPORT ON THE STOCK EXCHANGE'S AND THE COMPANY'S WEBSITE

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xiaonanguo.com), and the Company's 2012 Annual Report which contained all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Shanghai, the People's Republic of China, 27 March 2013

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