上海小南国
SHANGHAI MIN

Xiao Nan Guo Restaurants Holdings Limited

小南國餐飲控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03666)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

	Six months period ended 30 June		
	2013 *(unaudited)*	**2012** *(audited)*	**% Change**
Revenue (RMB'000)	677,551	647,778	4.6%
Gross profit[1] (RMB'000)	466,707	438,724	6.4%
Gross margin[2]	68.9%	67.7%	1.2%
Profit for the period attributable to owners of the Company (RMB'000)	31,831	56,178	(43.3%)
Net profit margin[3]	4.7%	8.7%	(4.0%)
Earnings per share — Basic	RMB2.2 cents	RMB5.1 cents	
Interim dividend per share (HK$ cents)	0.8	1.4	(42.9%)
Number of restaurants[4] (as at 30 June)	75	62	21.0%

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 2013 includes 67 Shanghai Min restaurants, 4 Maison De L'Hui restaurants and 4 The Dining Room restaurants.

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Xiao Nan Guo Restaurants Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013, together with audited comparative figures for the corresponding period in the year 2012, as follows:

CONSOLIDATED INCOME STATEMENT
Six-month period ended 30 June 2013

	Notes	**Six-month period ended 30 June** **2013** *RMB'000* *(unaudited)*	**2012** *RMB'000* *(audited)*
REVENUE	4	677,551	647,778
Cost of inventories consumed		(210,844)	(209,054)
Gross profit		466,707	438,724
Other income	4	24,616	18,894
Selling and distribution costs		(396,225)	(331,815)
Administrative expenses		(49,887)	(48,821)
Other expenses		(51)	(254)
Finance costs		(3,762)	(3,861)
PROFIT BEFORE TAX	5	41,398	72,867
Income tax expense	6	(9,574)	(16,689)
PROFIT FOR THE PERIOD		31,824	56,178
Attributable to:			
Owners of the Company		31,831	56,178
Non-controlling interests		(7)	—
Earnings per share attributable to ordinary equity holders of the Company			
Basic	8	RMB2.2 cents	RMB5.1 cents
Diluted	8	RMB2.2 cents	RMB5.0 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 2013

	Six-month period ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
PROFIT FOR THE PERIOD	31,824	56,178
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	(4,332)	376
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	27,492	56,554
Attributable to:		
Owners of the Company	27,499	56,554
Non-controlling interests	(7)	—

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2013

	Notes	**30 June 2013** *RMB'000* *(unaudited)*	**31 December 2012** *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property and equipment		637,565	614,806
Intangible assets		4,578	4,636
Investments in an associate		10,000	—
Available-for-sale investments		100	100
Long-term rental deposits		51,366	50,390
Deferred tax assets		42,972	33,873
Other long-term assets		475	581
Total non-current assets		747,056	704,386
CURRENT ASSETS			
Inventories		44,203	58,613
Trade receivables	9	12,966	26,829
Prepayments, deposits and other receivables	10	139,626	111,794
Cash and cash equivalents	11	330,539	416,797
Total current assets		527,334	614,033
CURRENT LIABILITIES			
Trade payables	12	60,409	82,238
Interest-bearing bank loans		120,162	156,795
Tax payable		13,314	28,012
Other payables and accruals	13	167,058	189,108
Deferred income		805	1,981
Total current liabilities		361,748	458,134
NET CURRENT ASSETS		165,586	155,899
TOTAL ASSETS LESS CURRENT LIABILITIES		912,642	860,285

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
30 June 2013

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
NON-CURRENT LIABILITIES		
Long-term payables	41,339	38,659
Interest-bearing bank loans	50,109	—
Deferred tax liabilities	1,630	1,359
Total non-current liabilities	93,078	40,018
Net assets	819,564	820,267
EQUITY		
Equity attributable to owners of the Company		
Issued share capital	12,032	12,032
Reserves	796,143	777,244
Proposed dividends	9,400	30,991
	817,575	820,267
Non-controlling interests	1,989	—
Total equity	819,564	820,267

Notes to the Condensed Consolidated Interim Financial Statements
30 June 2013

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 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

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting.

The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These interim condensed consolidated financial statements have not been audited. These interim condensed consolidated financial statements were approved and authorized for issue by the Board on 22 August 2013.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised standards and interpretations as of 1 January 2013, noted below:

IFRS 1 Amendments	Amendments to IFRS1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*

IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12: *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
IAS 19 (Amendments)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements to 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

The adoption of these new and revised International Financial Reporting Standards had no significant financial effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) — *Investment Entities*[1]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] 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	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Mainland China	567,148	556,363
Hong Kong	110,403	91,415
	677,551	647,778

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

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

	30 June 2013	**31 December 2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Mainland China	590,704	553,857
Hong Kong	61,914	66,166
	652,618	620,023

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 2013 and 2012, 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	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Revenue		
Restaurant operations	660,362	639,302
Other revenue	17,189	8,476
Revenue, net	677,551	647,778
Other income		
Government grants	12,985	10,310
Bank interest income	2,688	216
Management fee	1,500	1,500
Compensation income from landlords	2,800	2,800
Service income	1,966	2,000
Exchange differences	2,176	—
Others	501	2,068
	24,616	18,894

5. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Cost of inventories consumed	210,844	209,054
Depreciation	49,887	40,334
Amortisation of intangible assets	569	211
Amortisation of other long-term assets	106	106
Minimum lease payments under operating lease on buildings	119,494	102,478
Employee benefit expense (including directors' and Chief Executive Officer's remuneration):		
Wages and salaries	152,599	128,216
Equity-settled share option expense	800	1,691
Defined contribution pension scheme	40,307	32,585
	193,706	162,492
Bank interest income	(2,688)	(216)
Loss on disposal of items of property and equipment	74	167

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	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Group:		
Current - Mainland China charged for the period	17,640	23,903
Current - Hong Kong charged for the period	813	1,148
Deferred tax	(8,879)	(8,362)
Total tax charge for the period	9,574	16,689

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%.

7. DIVIDENDS

	Six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Interim — HK$0.008 (2012: HK$0.014) per ordinary share	9,400	16,834

On 22 August 2013, the Company declared an interim dividend for the six months ended 30 June 2013, at HK$0.008 per ordinary share, amounting to a total sum of approximately HK$11,800,000 (approximately equivalent to RMB9,400,000).

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

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the consolidated profit attributable to the equity holders of the Company and the weighted average number of ordinary shares of 1,451,250,000 (30 June 2012: 1,110,000,000) in issue throughout the period.

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

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

	Six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	31,831	56,178

	Six months ended 30 June	
	2013	**2012**
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	1,451,250,000	1,110,000,000
Effect of dilution — weighted average number of ordinary shares: Share options	967,842	3,651,000
Number of ordinary shares used in the diluted earnings per share calculation	1,452,217,842	1,113,651,000

* Not taking into account 23,750,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

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, based on the invoice date, is as follows:

	Group	
	30 June 2013	**31 December 2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 1 month	5,580	18,988
1 to 2 months	2,357	2,620
2 to 3 months	570	751
Over 3 months	4,459	4,470
	12,966	26,829

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 2013	**31 December 2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Deposits and other receivables	39,054	29,975
Prepaid expense	34,308	27,097
Amount due from companies owned by the Controlling Shareholder	32,549	29,506
Amount due from a Director of major subsidiaries in Hong Kong	—	365
Prepayments	33,715	24,851
	139,626	111,794

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 2013	**31 December 2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Cash and bank balances, unrestricted	237,275	221,026
Time deposits with original maturity of less than three months	93,264	195,771
Cash and cash equivalents	330,539	416,797

The cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB247,040,000 and RMB203,766,000 as at 30 June 2013 and 31 December 2012, 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 2013	**31 December 2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 3 months	55,107	76,528
3 months to 1 year	4,145	4,721
Over 1 year	1,157	989
	60,409	82,238

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

13. OTHER PAYABLES AND ACCRUALS

	Group	
	30 June 2013	**31 December 2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Payroll and welfare payables	28,036	29,786
Tax payables other than income tax	3,462	7,378
Other payables for construction in progress	56,736	65,816
Accruals and other payables	24,971	27,294
Advance from customers	53,853	58,369
Amounts due to companies owned by the Controlling Shareholder	—	465
	167,058	189,108

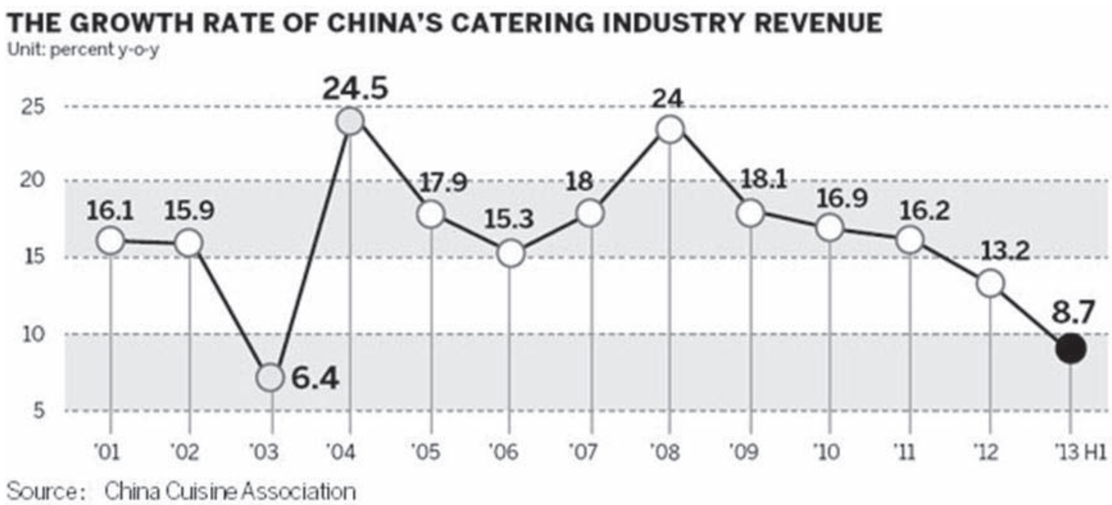
Amounts due to companies owned by the Controlling Shareholder are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2013, China's Gross Domestic Product (GDP) increased by 7.6% from a year earlier (lower than expected and the 7.9% growth in the fourth quarter of 2012), which indicated a slowing down of economic growth. The Chinese government's official growth target for 2013 is 7.5%, which remains impressive compared to that of most other countries, but is nonetheless the slowest pace in past 23 years for the People's Republic of China ("China"). The country's Consumer Price Index (CPI) for the first half of 2013 was up 2.4% year-on-year, though below China's annual target of 3.5%. While July 2013's CPI was 2.8% year-on-year, it is anticipated that the CPI will rise in the second half of the year at a slower pace. The National Development and Reform Commission (NDRC) pledged to strengthen supervision of price changes and try to keep the volatility of consumer goods price increases within a narrow range in the second half of 2013 in an attempt to curb inflation.

China's catering industry was hard hit in the first half of 2013 with: the economic slowdown, the prolonged austerity campaign launched by the Chinese government to curb lavish spending and entertainment, and a wave of avian flu cases impacting cities especially in eastern China. According to the China Cuisine Association (CCA), the catering industry recorded revenue growth of 8.7% to RMB1.18 trillion in the first half of 2013, a growth rate that was 4.5%-points lower than a year earlier (see chart below). Furthermore, a survey report by the CCA indicated that revenue for mid to high-end restaurants slid 22.6% compared to last year and average spend per customer dropped 15% to 30%.



BUSINESS REVIEW

In the first half of 2013, the Group's revenue increased by 4.6% to RMB677.6 million compared to the same period last year, which we attribute to new stores opened in 2012 and to higher other income such as branded products. Gross profit increased by 6.4% to RMB466.7 million. Gross margin increased by 1.2% points to 68.9% due to lower CPI and continued improvement in the Group's operating efficiency through continuing initiatives of standardization of operations and centralization of supply purchases. The Group's net profit was significantly impacted by: the slowdown in China's economy, adverse effects of the avian flu during the first quarter of 2013, and the prolonged curb in lavish spending by Chinese government officials, which reduced the Group's same-store sales by (8.7)%.

The Group has proactively launched a number of marketing and promotional campaigns to increase customer traffic and revenue. As a result, we saw a rise in customers traffic of 1.7% for same-store comparing to the first half of 2012, however average spend per customer dropped 10.2% compared to the first half of 2012. However, main dinning hall revenue of 40 Shanghai Min restaurants in Mainland increased by RMB6.7 million, or 4.2%, when compare with the same period in 2012.

The Group has opened five new stores in the first half of 2013 — three "Shanghai Min" and two "The Dining Room". Our new growth engine, the dinning room achieved operating profits during the first full month of operation, for both restaurants opened in Hong Kong and Shanghai. As for the Group's store expansion plan in the second half of 2013, 12 stores were contracted and in renovation progress, while 5 stores were contracted but has not commenced renovation.

Management is very pleased with the performance of its third brand - the dining room, a casual dining with contemporary setting with an average spend of RMB70 per customer. The new brand targets personal spending and has been very well received by customers and media, and is achieving gross margin close to 80%, operating margin exceeding 18% and table turn of 5 to 6 times daily. The Company intends to open additional 6 to 7 stores by end of 2013.

In addition, the Group's branded food products achieved 100% growth, as such the Group has acquired a food sourcing and trading arm to explore quality raw materials and to secure competitive pricing from the original source in order to expand our food products varieties for use in the Group's restaurants to enrich the product varieties and enhance the price-performance ratio apart from developing into branded foods for distribution and sales to retail outlets owned by the Group and other external retail channels.

The Group established a consulting, management and operation team to establish restaurants in luxury hotels, clubs and entertainment complexes, within and outside China. In July 2013, the Group opened a "Shanghai Min" restaurant at City of Dreams entertainment and hotels complex in Macau. The new restaurant is a turnkey project with minimal capital expenditures required.

In terms of acquisition, in June 2013, we also signed an agreement to invest in Yancheng Guanhua Aquatic Products Co., Ltd (鹽城冠華水產有限公司), a long-term supplier of the Group, to secure shelled fresh river shrimps and to further develop upstream food product manufacturing & processing operations, to expand the Group's branded products offerings; in July 2013, the Group has also signed an agreement to invest in Shanghai Huajing Agricultural Biotechnology Co., Ltd (上海華晶農業生物科技有限公司), which invented "low-temperature rapid micro-freezing technology" (低溫快速微凍技術). Such technology will be used to maintain and preserve freshness and quality of raw produce, and more importantly to optimise cost and allow transportation efficiency.

OUTLOOK

China's economy is undergoing fundamental changes so management expects continued headwinds in the catering and restaurant industry, given the continued economic slowdown and curb in lavish spending and entertainment. The Group will continue to leverage its multi-brand strategy, particularly with the success of its casual dining model "The Dining Room" that targets personal spending and the rising income of China's growing middle class. With the Group's long-term track record, well established infrastructure and scalable operation, management remains confident that we can easily replicate "The Dining Room" model in cities where we already have an established base, while broadening our target customers so as to remain more resilient during the economic downturn slowdown.

The Group will continue to establish more brands (multi-brand strategy) and to seek and develop new business opportunities to broaden and grow revenue — such as managing and operating restaurants for hotel and entertainment groups. And continue to seek acquisition opportunity by offering more brand and cuisine choices to its customers. Marketing and promotional campaigns will continue to play an important part in the second half of 2013 with an aim to attract more customers and drive higher sales. In addition, the Group has established a wedding concierge team to target wedding events and banquets, which can broaden revenue streams.

Finally, management is confident that it can accomplish its 2013 expansion plan of opening a total 22 new stores (5 opened during the first half of 2013). The Group's long-term plan is to open 30 more the dining room by 2015.

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group revenue reached RMB677.6 million, representing an increase of RMB29.8 million or 4.6% compared to RMB647.8 million for the six months ended 30 June 2012. The gross profit of the Group achieved RMB466.7 million, an increase of approximately RMB28.0 million from approximately RMB438.7 million for the same period of 2012, and profit for the six months ended 30 June 2013 decreased by approximately 43.3% to approximately RMB31.8 million from approximately RMB56.2 million for the same period of 2012.

As at 30 June 2013, the Group operated the restaurant network of 67 Shanghai Min restaurants, 4 Maison De L'Hui restaurants and 4 "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, as at 30 June 2013 and 2012.

	Six months ended 30 June			
	2013		**2012**	
	Number of restaurants	*Revenue RMB'000 (unaudited)*	*Number of restaurants*	*Revenue RMB'000 (audited)*
China				
- Shanghai Min	58	526,718	50	524,495
- Maison De L'Hui	4	23,749	3	23,392
- The Dining Room	1	—	—	—
Hong Kong				
- Shanghai Min	9	87,864	8	89,505
- The Dining Room	3	22,031	1	1,910
Total revenue of restaurant Operations *(Note (ii))*	75	660,362	62	639,302
Other revenue		17,189		8,476
Total revenue		677,551		647,778

Notes

(i) The Dining Room in China commenced operation on 30 June 2013, and there are 75 outlets in total.

(ii) 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 RMB29.8 million, or 4.6%, from RMB647.8 million in the six months ended 30 June 2012 to RMB677.6 million in the six months ended 30 June 2013. This increase was due to an increase of RMB21.1 million in revenue from the restaurant operations and an increase of RMB8.7 million in revenue from other businesses during the period.

Revenue from restaurant operations

Revenue from restaurant operations increased by RMB21.1 million, or 3.3%, from RMB639.3 million in the six months ended 30 June 2012 to RMB660.4 million in the six months ended 30 June 2013 primarily reflecting:

- a RMB5.3 million increase in revenue from 3 Shanghai Min restaurants that were newly opened during the six months ended 30 June 2013;

- a RMB89.4 million increase in revenue from 13 Shanghai Min restaurants that were newly opened during 2012;

- an offsetting effect brought by a RMB43.5 million decrease, representing an 8.8% decrease, in comparable restaurants sales *(note (i))* from 48 Shanghai Min restaurants from the six months ended 30 June 2012 to the six months ended 30 June 2013. This was mainly attributed to a reduction in the spending income of dining rooms due to the impact of the restrictions imposed by the government's policies on banquets and a continued slowdown in the growth of macroeconomy. However, the Group has actively launched various publicity and promotional activities to enhance customer traffic and revenue. Therefore, although the average spending of customers of the 48 Shanghai Min comparable restaurants decreased by 10.0% as compared to the same period last year, the customer traffic in respect of same-store sales increased by 1.4% as compared to the same period in 2012. In particular, the 40 Shanghai Min restaurants in Mainland recorded an increase of RMB6.7 million or 4.2% in lobby spending revenue as compared to the same period in 2012;

- a RMB1.9 million increase from the ramp-up of one Maison De L'Hui restaurant converted from Shanghai Min in 2012;

- a RMB1.5 million decrease, representing a 6.5% decrease, in comparable restaurant sales *(note (i))* from 3 Maison De L'Hui restaurants from the six months ended 30 June 2012 to the six months ended 30 June 2013. This was mainly attributed to a reduction in the spending income of dining rooms due to the impact of the restrictions imposed by the government's policies on banquets and a continued slowdown in the growth of macroeconomy. However, the Group has actively launched various publicity and promotional activities to enhance customer traffic and revenue. Therefore, although the average spending of customers of the 3 Maison De L'Hui comparable restaurants decreased by 22.8% as compared to the same period last year, the customer traffic in respect of same-store sales increased by 21.1% as compared to the same period in 2012;

- a RMB17.4 million increase in revenue from 2 "The Dining Room" restaurants that were newly opened in 2012;

- a RMB2.7 million increase in revenue from one "The Dining Room" restaurant that was newly opened in 2013;

- during the six months ended 2012 and 2013, we remodeled, changed lease space or location of, or re-decorated 3 Shanghai Min restaurants and 2 closed stores which resulted in a RMB50.6 million decrease in revenue.

Note (i): As a whole, our comparable restaurant sales from 51 restaurants (including 48 Shanghai Min restaurants and 3 Maison De L' Hui restaurants) decreased RMB45.0 million, representing 8.7% decrease from the six months ended 30 June 2012 to the six months ended 30 June 2013.

Revenue from other businesses

Revenue from other businesses increased by RMB8.7 million, or 102.4%, from RMB8.5 million in the six months ended 30 June 2012 to RMB17.2 million in the six months ended 30 June 2013, which primarily reflected the increase in sales of our branded food products.

Cost of inventories consumed

Cost of inventories consumed increased by RMB1.7 million, or 0.8%, from RMB209.1 million in the six months ended 30 June 2012 to RMB210.8 million in the six months ended 30 June 2013, 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 2013.

Cost of inventories consumed as a percentage of the revenue decreased from 32.3% in the six months ended 30 June 2012 to 31.1% in the six months ended 30 June 2013, primarily reflecting further improvements in operating efficiency through our continuing initiatives of standardization of operations and centralization of supply purchases.

Other income

Other income increased by RMB5.7 million, from RMB18.9 million in the six months ended 30 June 2012 to RMB24.6 million in the six months ended 30 June 2013, primarily reflecting (i) an increase of RMB2.7 million in the government grants received in the six months ended 30 June 2013 from those received in the same period last year as a result of business expansion; and (ii) bank interest income increased by RMB2.5 million in the six months ended 30 June 2013 from those in the same period last year.

Selling and distribution costs

Selling and distribution costs increased by RMB64.4 million, or 19.4%, from RMB331.8 million in the six months ended 30 June 2012 to RMB396.2 million in the six months ended 30 June 2013, which primarily reflected an increase in all major components, reflecting the expanded operations in the six months ended 30 June 2013.

Labor costs related to the restaurants, central kitchens and central warehouses increased by RMB29.4 million, or 23.0%, from RMB127.7 million in the six months ended 30 June 2012 to RMB157.1 million in the six months ended 30 June 2013, which was in line with the expanded number of the Group's restaurants. As a percentage of our revenue, labor costs slightly increased from 19.7% in the six months ended 30 June 2012 to 23.2% in the six months ended 30 June 2013, primarily reflecting (i) labor costs attributable to the costs increased by 1.9% due to a decrease of 8.7% in the same-store income in the six months ended 30 June 2013; and (ii) an increase in salary costs as the salaries of restaurants's minor grade staff were adjusted in February 2013.

Occupancy costs related to restaurants, central kitchens and central warehouses increased by RMB15.4 million, or 15.3%, from RMB100.7 million in the six months ended 30 June 2012 to RMB116.1 million in the six months ended 30 June 2013. As a percentage of our revenue, occupancy costs increased from 15.5% in the six months ended 30 June 2012 to 17.1% in the six months ended 30 June 2013, primarily reflecting (i) rental costs attributable to costs increased by 1.5% due to a decrease of 8.7% in the same store income in the six months ended 30 June 2013; and (ii) the increase in the number of our new restaurants for the six months ended 30 June 2013.

Depreciation charges related to the restaurants, central kitchens and central warehouses increased by RMB8.1 million, or 20.6%, from RMB39.3 million in the six months ended 30 June 2012 to RMB47.4 million in the six months ended 30 June 2013. As a percentage of our revenue, depreciation charges increased from 6.1% in the six months ended 30 June 2012 to 7.0% in the six months ended 30 June 2013, primarily reflecting (i) same store same period revenue decreasing in the six months ended 30 June 2013; and (ii) the increase in the number of our new restaurants for the six months ended 30 June 2013.

General and administrative expenses

Administrative expenses increased by RMB1.1 million, or 2.3%, from RMB48.8 million in the six months ended 30 June 2012 to RMB49.9 million in the six months ended 30 June 2013, and as a percentage of our revenue, administrative expenses decreased from 7.5% to 7.4% during the same periods. These decreases primarily reflected the increase of our economy scale and our control of the headcount at our headquarters in 2013.

Income tax expenses

Income tax expenses decreased by RMB7.1 million, or 42.5%, from RMB16.7 million in the six months ended 30 June 2012 to RMB9.6 million in the six months ended 30 June 2013, primarily reflecting decreases in profit before tax during the same periods. The overall effective tax rate increased from 22.9% in the six months ended 30 June 2012 to 23.1% in the six months ended 30 June 2013.

Profit for the period

As a result of the foregoing, the profit for the period decreased by RMB24.4 million, or 43.3%, from RMB56.2 million in the six months ended 30 June 2012 to RMB31.8 million in the six months ended 30 June 2013. The net profit margin decreased from 8.7% in the six months ended 30 June 2012 to 4.7% in the six months ended 30 June 2013.

Dividends payable

For the six months ended 30 June 2013, the Group paid out dividends payable of RMB31.0 million (including withholding tax on dividends). As at 30 June 2013, 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 2013, the Group's total interest-bearing bank loans were RMB170.3 million.

The Group had net cash inflows from operating activities of RMB29.9 million for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB74.3 million). As at 30 June 2013, the Group had RMB330.5 million in cash and cash equivalents (31 December 2012: RMB416.8 million). The following table sets the certain information regarding the consolidated cash flows for the periods ended 30 June 2013 and 2012.

	For the six months ended 30 June	
	2013	**2012**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Net cash flows from operating activities	29,927	74,251
Net cash flows used in investing activities	(92,584)	(86,447)
Net cash flows used in financing activities	(20,451)	(87,235)
Net decrease in cash and cash equivalents	(83,108)	(99,431)
Cash and cash equivalents at beginning of the period	416,797	179,956
Effect of foreign exchange rate changes, net	(3,150)	92
Cash and cash equivalents at end of the period	330,539	80,617

Operating activities

Net cash inflow from operating activities decreased by RMB44.4 million from RMB74.3 million in the six months ended 30 June 2012 to RMB29.9 million in the six months ended 30 June 2013, which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB93.9 million (six months ended 30 June 2012: RMB122.0 million); and (ii) changes in working capital represented decrease of cash of RMB30.8 million (six months ended 30 June 2012: decrease of cash of RMB26.8 million).

Investing activities

Net cash flow used in investing activities was RMB92.6 million in the six months ended 30 June 2013, compared with RMB86.4 million for the same period in 2012. It is mainly due to an increase of cash outflow amounting to RMB6.2 million as expenses paid for, inter alia, 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 outflow of RMB87.2 million during the six months ended 30 June 2012 to an outflow of RMB20.5 million during the six months ended 30 June 2013, representing a decrease of RMB66.7 million, which was primarily attributable to (i) an increase in proceeds from bank loans (net of repayment of principal and interest) of RMB8.5 million (six months ended 30 June 2012: decreased RMB41.7 million); (ii) payment of dividends of RMB31.0 million (six months ended 30 June 2012: RMB27.6 million); and (iii) no IPO expenses (six months ended 30 June 2012: RMB17.9 million).

Foreign Currency Exposure

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses are denominated in a different currency from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase for the six-month periods ended 30 June 2013 and 30 June 2012 are denominated in currencies other than the functional currency of the relevant business. The Group has minimal exposure of foreign exchange risk.

Contingent Liabilities

There were no significant contingent liabilities for the Group as at 30 June 2013 and 31 December 2012.

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 2013	31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within one year	398,645	202,115
In the second to fifth years, inclusive	756,885	741,388
After five years	423,453	422,117
	1,578,983	1,365,620

Capital Commitment

Capital commitments were approximately RMB65.2 million and RMB41.5 million as at 30 June 2013 and 31 December 2012, 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 30 June 2013, the Group recruited about 4,828 employees in China and Hong Kong. During the six months ended 30 June 2013, total staff cost was RMB193.7 million, 28.6% of the revenue (six months ended 30 June 2012: RMB162.5 million, 25.1% of the revenue) primarily reflecting (i) the increase in labor costs attributable to the expanded numbers of our restaurants for the six months ended 30 June 2013; and (ii) an increase in salary levels for our employees during the six months ended 30 June 2013 when compared to the previous year.

INTERIM DIVIDENDS

The Board has resolved to declare an interim dividend of HK$0.8 cents per share, totalling HK$11,800,000 (approximately RMB9,400,000) for the six months ended 30 June 2013. The interim dividend will be paid on or about 27 September 2013 to the members whose names appear on the register of members of the Company on 13 September 2013.

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 11 September 2013 to 13 September 2013, 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 10 September 2013.

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code of corporate governance. From 1 January 2013 up to 30 June 2013, the Company has been in compliance with all the code provisions in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

All Directors have confirmed that, up to 30 June 2013, they have complied with the required standard of dealings set out in the Model Code.

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

For the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 30 August 2011 with its terms of reference formulated in accordance with the Listing Rules and the CG Code. The Audit Committee comprises two independent non-executive Directors of the Company, namely Mr. Tsang Henry Yuk Wong and Mr. Wang Yu, and one non-executive Director, namely Mr. Weng Xiangwei. Mr. Tsang Henry Yuk Wong is the chairman of the Audit Committee. 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 has reviewed the accounting principles and practices adopted by the Company, and discussed about the relevant internal control and financial reporting matters. The Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2013.

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 2013 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, China, 22 August 2013

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. 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.