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: 3666)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	**2014**	**% Change**
	(unaudited)	*(unaudited)*	*Increase/ (decrease)*
Revenue (RMB'000)	1,002,917	742,749	35.0%
Gross profit[1] (RMB'000)	696,949	498,332	39.9%
Gross margin[2]	69.5%	67.1%	2.4%
Profit for the period attributable to owners of the Company (RMB'000)	14,899	578	2,477.7%
Net profit margin[3]	1.5%	0.1%	1.4%
Earnings per share — Basic	RMB1.02 cents	RMB0.04 cents	
Interim dividend per share (HK cents)	—	—	
Number of restaurants (as at 30 June)[4]	137	88	

Notes:

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

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

3 Net profit margin is calculated as profit for the period attributable to owners of the Company divided by revenue.

4 The number of restaurants included the 30 stores of POKKA HK acquired at the beginning of 2015 and excluded Mai Chi Ling licenced stores.

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 2015, together with unaudited comparative figures for the corresponding period in the year 2014, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Six-month period ended 30 June 2015

	Notes	Six-month period ended 30 June 2015 *RMB'000* *(unaudited)*	2014 *RMB'000* *(unaudited)*
REVENUE	5	1,002,917	742,749
Cost of sales		(305,968)	(244,417)
Gross profit		696,949	498,332
Other income	5	22,703	24,977
Selling and distribution expenses		(605,634)	(452,293)
Administrative expenses		(79,770)	(61,608)
Other expenses		(7,253)	(5,853)
Finance costs	7	(6,823)	(2,360)
PROFIT BEFORE TAX	6	20,172	1,195
Income tax expense	8	(5,969)	(905)
PROFIT FOR THE PERIOD		14,203	290
Attributable to:			
Owners of the Company		14,899	578
Non-controlling interests		(696)	(288)
		14,203	290
Earnings per share attributable to ordinary equity holders of the Company			
- Basic	10	RMB1.02 cents	RMB0.04 cents
- Diluted	10	RMB1.02 cents	RMB0.04 cents

Details of the dividends declared for the period are disclosed in Note 9 to the interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six-month period ended 30 June 2015

	Six-month period ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
PROFIT FOR THE PERIOD	14,203	290
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(1,287)	3,408
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(1,287)	3,408
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,916	3,698
Attributable to:		
Owners of the Company	13,612	3,986
Non-controlling interests	(696)	(288)
	12,916	3,698

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2015

	Notes	**30 June 2015** *RMB'000* *(unaudited)*	**31 December 2014** *RMB'000* *(audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		790,264	685,999
Intangible assets		35,627	4,325
Goodwill	4	11,930	—
Available-for-sale investments		27,268	20,100
Long-term rental deposits		94,061	66,234
Deferred tax assets		81,548	72,611
Pledged deposits	13	60,000	—
Loan to non-controlling interest shareholder	4/a.2	51,259	—
Other long-term receivables	4/b	29,967	—
Other long-term assets		51	157
Total non-current assets		1,181,975	849,426
CURRENT ASSETS			
Inventories		50,571	45,014
Trade receivables	11	21,402	18,068
Prepayments, deposits and other receivables	12	189,520	175,693
Financial assets at fair value through profit or loss		213	—
Pledged deposits	13	20,000	—
Cash and cash equivalents	13	252,729	269,305
Total current assets		534,435	508,080
CURRENT LIABILITIES			
Trade payables	14	97,907	102,458
Interest-bearing bank loans		262,627	236,141
Tax payable		24,070	16,240
Other payables and accruals	15	181,685	150,508
Dividends payable	9	9,384	—
Deferred income		1,044	841
Total current liabilities		576,717	506,188
NET CURRENT (LIABILITIES)/ASSETS		(42,282)	1,892
TOTAL ASSETS LESS CURRENT LIABILITIES		1,139,693	851,318

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 June 2015

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
NON-CURRENT LIABILITIES		
Long-term payables	101,487	61,887
Interest-bearing bank loans	153,856	—
Deferred tax liabilities	777	777
Total non-current liabilities	256,120	62,664
Net assets	883,573	788,654
EQUITY		
Equity attributable to owners of the Company		
Issued capital	12,035	12,062
Treasury shares	—	(2,711)
Reserves	777,076	772,809
	789,111	782,160
Non-controlling interests	94,462	6,494
Total equity	883,573	788,654

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2015

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, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2012 (the "Listing").

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of restaurant chain stores in Mainland China, Hong Kong and other regions. On 7 January 2015, the Group completed the acquisition of Pokka Corporation (HK) Limited and its subsidiary Pokka Coffee (Macau) Ltd. (collectively referred to as "POKKA HK"), for a total purchase price of approximately HK$300,000,000. For the details of the acquisition transaction, please refer to Note 4.

2.1 BASIS OF PREPARATION

The interim condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting as well as with all the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Net current liability

As at 30 June 2015, the current liabilities of the Group exceeded its current assets by approximately RMB42 million which was caused by consideration paid for the acquisition transaction mentioned in note 4. In the opinion of the Directors, it is the industry practice for the restaurant business to keep a low level of current ratio. The Directors have prepared these financial statements on a going concern basis notwithstanding the net current liability position because the Directors expected that the Group will generate sufficient cash inflows from the sales proceeds on the operation of restaurants to meet its financial obligations when they fall due.

These condensed consolidated interim financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. These condensed interim financial statements have not been audited. These condensed consolidated interim financial statements were approved and authorized for issue by the Board of directors on 27 August 2015.

The condensed consolidated interim 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 2014.

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 consolidated financial statements for the year ended 31 December 2014, except for the adoption of the new and revised standards and interpretations as of 1 January 2015, noted below:

Amendments to IAS19	*Defined Benefits Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*[1]

1 Effective for annual periods beginning on or after 1 July 2014.

The adoption of these new and revised IFRSs 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*[3]
Amendments to IRFS 10 and IAS 28 (Revised)	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS 12 and IAS 28 (Revised)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[4]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27 (Revised)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2018.
4 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.

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

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 has following two reportable operating segments since the Group completed the acquisition of POKKA HK on 7 January 2015:

(a) Xiao Nan Guo Business

(b) POKKA HK Business

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

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

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

3. OPERATING SEGMENT INFORMATION (continued)

Period ended 30 June 2015

	Xiao Nan Guo	**POKKA HK**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Segment revenue			
Sales to external customers	854,583	148,334	1,002,917
Revenue from continuing operations			1,002,917
Segment results	26,825	3,473	30,298
Reconciliation:			
Elimination of intersegment results			(431)
Dividend income from available-for-sale investment			2,000
Equity-settled share option expense			(1,750)
Interest income			2,286
Finance costs			(6,823)
Corporate & other unallocated expenses			(5,408)
Profit before tax			20,172
Segment assets	1,028,978	278,144	1,307,122
Reconciliation:			
Elimination of intersegment receivables			(32,470)
Corporate and other unallocated assets			441,758
Total assets			1,716,410
Segment liabilities	381,884	41,534	423,418
Reconciliation:			
Elimination of intersegment payables			(32,470)
Corporate and other unallocated liabilities			441,889
Total liabilities			832,837
Other segment Information			
Depreciation and Amortization	69,282	12,793	82,075
Capital expenditure*	69,335	637	69,972

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

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) **Revenue from external customers**

	Six-month period ended 30 June 2015	2014
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Mainland China	713,814	611,327
Hong Kong	268,536	116,690
Others	20,567	14,732
	1,002,917	742,749

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

(b) **Non-current assets**

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Mainland China	684,855	699,066
Hong Kong	138,903	54,659
Others	108,175	2,990
	931,933	756,715

The non-current asset information 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 2015 and 2014, no major customers segment information is presented in accordance with IFRS 8 *Operating Segments*.

4. BUSINESS COMBINATION

Bright Charm (a wholly-owned subsidiary of the Company) and Rosy Metro (a company wholly-owned by Ms. Pauline Wong) own 65% and 35% of the issued share capital of the Million Rank Limited ("MRL"). On 7 January 2015, MRL acquired 100% equity interest of POKKA HK from Pokka Corporation (Singapore) Pte. Ltd., (the "Seller"), for a total consideration of HK$300,000,000 (equivalent to RMB236,580,000). POKKA HK, incorporated in Hong Kong, specialises in the operating restaurants in Hong Kong and Macau under a portfolio of brand mainly in the casual dining segment of western and Japanese cuisines. The acquisition was made as part of the Group's strategy to expand both its existing product portfolio and customer base. After the acquisition, the Group indirectly holds 65% shares of interest in POKKA HK.

The fair values of the identifiable assets and liabilities of POKKA HK as at the date of acquisition were as follows:

	Fair value recognised on acquisition
	RMB'000
Property, plant and equipment	128,868
Intangible assets*	32,661
Long term rental deposits	15,720
Deferred tax assets	615
Inventories	8,580
Prepayments, deposits and other receivables	12,416
Due from the precedent controlling shareholder	34,698
Trade receivables	4,281
Financial asset at fair value through profit or loss	213
Cash and cash equivalents	44,915
Trade payables	(7,465)
Other payables and accruals	(41,086)
Tax payables	(3,340)
Long-term payables	(6,400)
Deferred tax liabilities	(26)
Total identifiable net assets at fair value	224,650
Goodwill on acquisition	11,930
Satisfied by cash	236,580

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB4,281,000 and RMB12,416,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB4,281,000 and RMB12,416,000, respectively.

* The fair value of intangible assets as at the date of acquisition amounted to RMB32,661,000, which is consist of favourable contract, trademark and customer relationship.

4. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(236,580)
Cash consideration to be paid	31,544
Cash consideration paid	(205,036)
Cash and bank balances acquired	44,915
Consolidation net off with the due from the precedent controlling shareholder	34,698
Consideration paid by non-controlling shareholder	51,259
Net outflow of cash and cash equivalents included in cash flows from investing activities	(74,164)
Transaction costs of the acquisition included in cash flows from operating activities	(7,852)
	(82,016)

The purchase price payment arrangement is as follows:

a. At the acquisition, Bright Charm and Rosy Metro shall pay to the Seller HK$216,000,000 (equivalent to RMB170,338,000).

a.1 The HK$151,000,000 (equivalent to RMB119,079,000) paid by MRL through Bright Charm's subscription price for its subscription of shares in MRL was derived from the bank loan, which are secured by: (i) the pledge of certain of the Group's time deposits amounting to RMB80,000,000, (ii) mortgages over the buildings of Xiao Nan Guo (Group) Co., Ltd., which is a company owned by the Controlling Shareholders, amounting to RMB80,0000,000 as at 30 June 2015.

a.2 The HK$65,000,000 (equivalent to RMB51,259,000) constitutes part of the subscription price to be paid by Rosy Metro for its subscription of shares in MRL, was derived from the loan provided by POKKA HK. POKKA HK entered into a facility agreement, amounted to HK65,000,000 (equivalent to RMB51,259,000), with commercial bank to funding the loan to Rosy Metro on 15 December 2014. The bank loans borrowed by POKKA HK are secured by mortgages over the POKKA HK's building, which had the net carrying value of approximately RMB72,235,000 at the end of reporting period. The loans to Rosy Metro, non-controlling shareholder of the Group, is secured and bear interest no more than 5% and should be repaid in the next three years since 30 March 2015, the drawdown date.

b. The HK$40,000,000 (equivalent to RMB31,544,000) paid by MRL through Rosy Metro's subscription price for its subscription of shares in MRL shall pay to the Seller in five instalments in accordance with the deferred payment schedule. According to the deferred payment schedule, HK$2,000,000 (equivalent to RMB1,577,000), HK$4,000,000

4. BUSINESS COMBINATION (continued)

(equivalent to RMB3,154,000), HK$5,000,000 (equivalent to RMB3,943,000), HK$6,000,000 (equivalent to RMB4,732,000) and HK$23,000,000 (equivalent to RMB18,138,000) shall be paid on the first, second, third, fourth and fifth anniversary of the closing date of acquisition, respectively.

MRL and the Seller has entered into a share pledge agreement on 7 January 2015, pursuant to which 2,400,000 shares, representing 15% of the total issued share capital of POKKA HK, have been charged to the Seller as security for above deferred payment of HK$40,000,000 (equivalent to RMB31,544,000). Upon punctual payment of each instalment of the deferred payment, the Seller undertakes to release certain charged shares in the amount proportional to the amount of each instalment of the deferred payment.

The loan to Rosy Metro and the deferred payment schedule mentioned above in note a.2 and b are both mortgaged by 35% equity interest of MRL held by Rosy Metro. In the event that Rosy Metro may fail to fulfill these obligations, the Company and Bright Charm shall purchase or cause a third party to purchase the shares held by Rosy Metro.

c. The HK$44,000,000 (equivalent to RMB34,698,000) paid by MRL through Bright Charm 's subscription price for its subscription of shares in MRL was net off with the payment to POKKA HK assumed by the Seller.

d. The transaction costs incurred for this acquisition are RMB14,162,000. HK$8,000,000 (equivalent to RMB6,310,000) had been undertaken by the seller. HK$6,840,000 (equivalent to RMB5,395,000) and RMB1,239,000 had been expensed by POKKA HK and the Company in the consolidated statement of profit or loss for the year ended 31 December 2014, respectively. The remaining costs had been expensed and was included in other expenses in the consolidated statement of profit or loss for the six-month period ended 30 June 2015.

From the date of acquisition, POKKA HK has contributed RMB148,333,627 to the Group's revenue and RMB4,020,297 to the consolidated profit for the period ended 30 June 2015.

5. 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.

5. REVENUE AND OTHER INCOME (continued)

An analysis of revenue and other income is as follows:

	Six-month period ended 30 June 2015	2014
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue		
Restaurant operations	994,322	741,354
Other revenue	8,595	1,395
Revenue, net	1,002,917	742,749
Other income		
Government grants	13,667	16,399
Bank interest income	2,286	989
Management fee	3,882	6,994
Dividend income from available-for-sale investment	2,000	—
Foreign exchange differences	163	—
Others	705	595
	22,703	24,977

6. PROFIT BEFORE TAX

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

	Six-month period ended 30 June 2015	2014
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Cost of sale	305,968	244,417
Depreciation	80,716	59,163
Amortisation of intangible assets	1,359	632
Amortisation of other long-term assets	106	106
Minimum lease payments under operating lease on buildings	178,555	143,782
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	233,346	171,305
Equity-settled share option expense	1,750	1,000
Defined contribution pension scheme	58,515	47,728
	293,611	220,034
Bank interest income	(2,286)	(989)
Loss on disposal of items of property, plant and equipment	6,314	4,004

7. FINANCE COSTS

An analysis of finance cost is as follows:

	Six-month period ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Interest on bank loans wholly repayable within five years	7,226	2,799
Less: Interest capitalised	(403)	(439)
	6,823	2,360

8. INCOME TAX

	Six-month period ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Group:		
Current - Mainland China charged for the period	13,523	11,839
Current - Hong Kong and elsewhere charged for the period	794	—
Deferred tax	(8,348)	(10,934)
Total tax charge for the period	5,969	905

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. 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.

8. INCOME TAX (continued)

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

According to the Macau Complementary Tax ("MCT") Law, taxable profits below MOP200,000 are exempted from tax, taxable profits between MOP200,001 to MOP300,000 are subject to the rate of 9% and taxable profits over MOP300,000 are subject to the rate of 12%.

9. DIVIDENDS

	Six-month period ended 30 June	
	2015	**2014**
	(unaudited)	*(unaudited)*
Interim — Nil (2014: Nil) per ordinary share	—	—

* MRL, a subsidiary of the Group declared HK$34,000,000 (equivalent to RMB26,812,000) distribution on 20 March 2015 to its shareholders Bright Charm and Rosy Metro. The outstanding balance represented the dividends payable to Rosy Metro.

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

The calculation of basic earnings per share for the six-month period ended 30 June 2015 is based on the consolidated profit attributable to the equity holders of the Company and weighted average number of 1,464,104,000 (30 June 2014: 1,463,741,481) 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.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

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

	Six-month period ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	14,899	578

	Six-month period ended 30 June	
	2015	**2014**
	(unaudited)	*(unaudited)*
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation*	1,464,104,000	1,463,741,481
Effect of dilution — weighted average number of ordinary shares**: Share options	—	605,859
Number of ordinary shares used in the diluted earnings per share calculation	1,464,104,000	1,464,347,340

* Not taking into account 11,250,000 ordinary shares issued to Affluent Harvest Limited, a wholly-owned subsidiary of the Company.

** Since the exercise prices of these options exceed the average market price of ordinary shares during the period, there was no dilutive effect as of 30 June 2015.

11. 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.

11. TRADE RECEIVABLES (continued)

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

	Group	
	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 1 month	12,031	12,224
1 to 2 months	5,309	2,548
2 to 3 months	766	1,163
Over 3 months	3,296	2,133
	21,402	18,068

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.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Deposits and other receivables	54,430	59,108
Prepaid expense	24,431	24,852
Amount due from companies owned by the Controlling Shareholder	50,557	53,923
Amount due from a director of major subsidiaries in Hong Kong	576	455
Contribution receivables from non-controlling interest (Note 4/b)	1,577	—
Prepayments	57,949	37,355
	189,520	175,693

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

Amounts due from 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.

13. **CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS**

	Group	
	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Cash and bank balances, unrestricted	252,369	264,501
Time deposits	80,360	4,804
	332,729	269,305
Less: Pledged time deposits		
Pledged for current portion of long term bank loans	(20,000)	—
Pledged for long term bank loans	(60,000)	—
Cash and cash equivalents	252,729	269,305

The cash and bank balances and time deposits of the Group subsidiaries in mainland China denominated in RMB amounted to RMB186,638,000 and RMB183,126,000 as at 30 June 2015 and 31 December 2014, 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 pledged deposits are deposited with creditworthy banks with no recent history of default.

14. TRADE PAYABLES

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

	Group	
	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within 3 months	96,541	99,850
3 months to 1 year	788	1,112
Over 1 year	578	1,496
	97,907	102,458

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

15. OTHER PAYABLES AND ACCRUALS

	Group	
	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Payroll and welfare payables	49,456	37,910
Taxes other than corporate income tax	8,840	9,238
Other payables for construction in progress	42,666	50,198
Accruals and other payables	59,821	46,165
Advance from customers	20,902	6,997
	181,685	150,508

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

After two years of turmoil and conciliation, the food and beverage industry in China finally demonstrated its signs of recovery in the first half of 2015. Pursuant to the National Bureau of Statistics, in the first half of 2015, revenue from the food and beverage industry reached RMB 1,499.6 billion, representing an increase of 11.5% year-on-year, which is higher than the growth rate of 10.6% in total retail sales of social consumer goods.

In 2015 we witnessed steady rise in revenue. On the back of the rise, there laid a substantial reorganization in the structure of the industry. Since the recovery, the mid to high end restaurant market maintained its steady development in general. There was boom in the mass consumer market. Consumers were faced with new styles of dining and new models of purchasing. Competition in that market also became extraordinarily intense. On the other hand, Internet restaurants became those keywords most preoccupied in the food and beverage industry in 2015. Online operation expanded the channels for the food and beverage industry, and became its new normal state of development.

FINANCIAL PERFORMANCE FOR THE FIRST HALF OF 2015

The Group's revenue for the first half of 2015 increased by 35.0% to RMB1,002.9 million from that of the same period last year, which was mainly attributable to the consolidation of revenue from POKKA HK after the Company completed acquisition in January 2015 as well as the sales growth in comparable restaurants during first half of the year. Profit for the period attributable to owners of the Company in the first half of 2015 reached RMB14.9 million, representing an increase of RMB14.3 million from the same period last year, which was mainly attributable to the improvement in profitability of Shanghai Min and the profit contribution from the combination with POKKA HK.

OPERATIONS REVIEW FOR THE FIRST HALF OF 2015

Shanghai Min: continuous growth in same-store sales, and steady increase in the profit level

Since the beginning of 2013, the central government banned luxurious consumption with public budget, which created significant impact on the demand for Shanghai Min restaurants, resulting in the decline of our same-store sales by 10.2% in 2013. Since the beginning of 2014, Shanghai Min successfully reversed the downward trend in the first half of 2014. For the past three consecutive half-year periods, the growth in the same-store sales of Shanghai Min was -2.4%, 2.6% and 3.7%, respectively. In particular, during the first half of 2015, same-store sales from Shanghai Min increased by 3.7% despite the decrease of 19.1% in promotion cost as compared to the same period in last year, which was mainly attributable to the effective implementation of various measures in transformation:

- Refined positioning by separating two different consumption markets. Based on distinct geographic locations, shopping districts and customer types, the Company had divided the existing Shanghai Min restaurants in Mainland China region into two categories: business banquet stores and personal consumption stores, which differentiated the dining environment and service standard accordingly in order to meet the specific demand for each category.

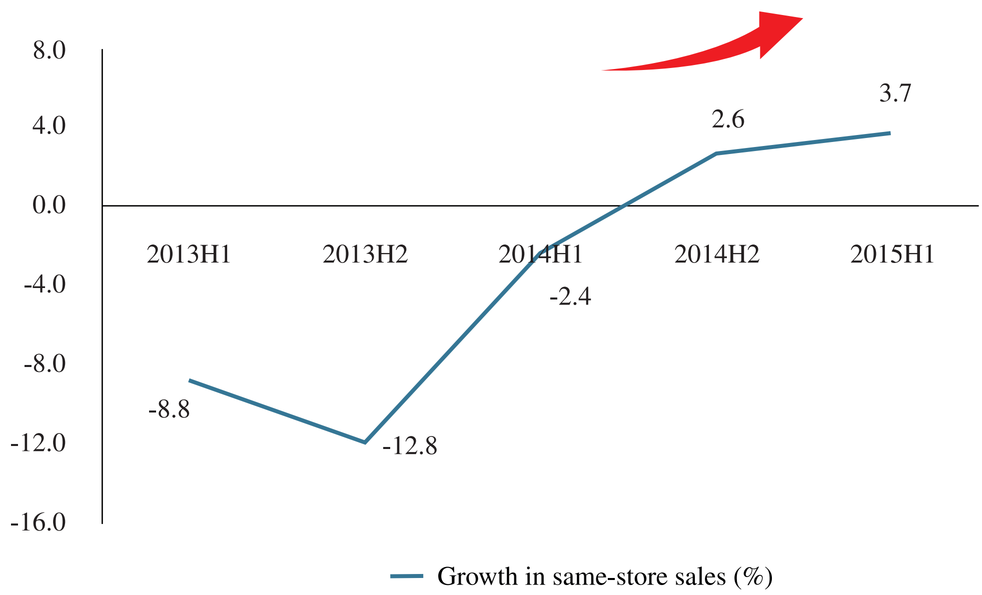
- Improved customer satisfaction by focusing on quality of products and services. Conducting continuous trainings and assessments improved the skills of primary staff at the stores. Meanwhile, the Company used the customer's comments and feedback information from third party platforms such as Dian Ping for analysis, in order to monitor the quality on products and services of the stores. By maintaining the quality of products and services at high standard, the brand advantages of the Company in mid to high end restaurant market were further consolidated.

- Expanded dimensions of the operation and increased distribution channels. We strived not only to improve the current business of current stores, but also actively explored business opportunities such as corporate banquets, family gatherings, branded merchandises and catering services. Meanwhile, the Company entered into proactive cooperation with various O2O online platform, third party order channels so as to increase the revenue.

- Reform on the incentive mechanism was implemented at selected stores. During the first half of the year, the Company launched the reform on the incentive mechanism. Through the mechanism of sharing risks and revenue, the initiatives and sense of responsibility of the store management were mobilized, which brought positive effects to product innovation, service improvement and quality assurance.

- Effectively control the costs and improved the profitability of stores.

Trend of same-store sales from Shanghai Min



In the first half of 2015, apart from the growth in the same-store sales, the profitability of Shanghai Min stores also improved significantly compared with the same period last year. The operating profit margin of Shanghai Min stores was 10.6%, representing an increase of 3.5% from the same period last year, which was mainly attributable to the effective cost control at the stores:

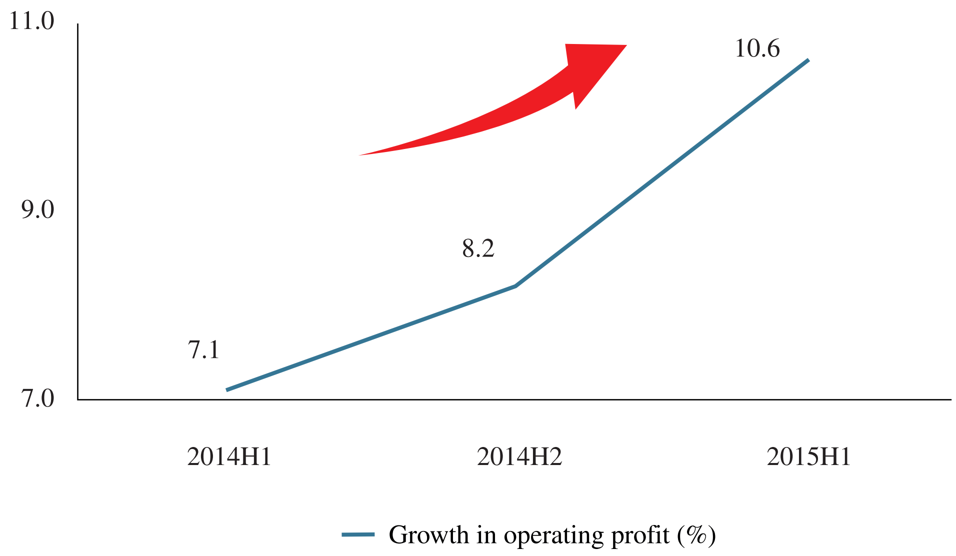
- Through thorough study in the demand from different customers, the Company improved the promotion measures and methods and enhanced the promotional discounts efficiency, so that the cost of promotional discount was under effective control;

- By fully capitalizing on the brand and scale advantages of Shanghai Min, and implementing strict cost control measures, the food cost to revenue ratio was maintained to a lower level than that of the same period last year;

- Through optimizing the headcount allocation and shift arrangement, the stores operation efficiency were improved. The number of employees at the stores were placed under strict control, so that the labor costs at the stores were well-managed;

- Through reform on the incentive mechanism, the Company developed the initiatives of the front-line managers at the stores, which effectively mitigated the store operating expenses such as energy and material consumption.

Trend of operating profit from Shanghai Min stores



"the dining room": adjusted its development strategies and focused on model optimization

We launched "the dining room" brand targeting the casual dining market in Hong Kong in May 2012 . We introducted it into the mainland market in June 2013, which was followed by rapid growth rate in the past two years. As of 30 June 2015, we have entered into eight cities such as Hong Kong, Shanghai and Beijing, with a total of 19 restaurants.

In 2015, the Company adjusted the development strategies of "the dining room", where it's determined to rapidly develop franchise stores on a national scale. During the first half of 2015, we focused on optimizing its business model.

- Optimization of operational model: As at June 30 2015, there are 19 stores of "the dining room", increased by 9 stores as compared to the same period in 2014. The income from "the dining room" has increased 66.7% in the first half of 2015 as compared to the same period in 2014, accounting for 8.8% of the total income in the first half of 2015, increased from 7.1% in the first half of 2014.

- Improvements in investment efficiency. The Company controlled the investment cost effectively. The standardized single store investment decreased from RMB 2.8 million in 2014 to RMB 2.5 million. Meanwhile, the Company effectively controlled the kitchen and logistics areas through design innovation and thus improved the overall store operation efficiency. The kitchen area to total store area ratio decreased by 5% of the 2015 new stores as compared to that of the 2014 stores.

- Product mix optimization. The Company optimized the product mix by introducing new beverages and desserts in order to maintain the novelty and attractiveness of the brand. Meanwhile, the Company introduced external third-party semi-finished product suppliers for certain products so as to improve the product standardization and thus facilitated the rapid expansion of stores.

Successful launch of new brand and establishment of the base of brand management

The Company's multi-brand strategy achieved major breakthrough in 2015, by ways of self-development, introduction from external parties and merger and acquisition. Currently the Company owns nine brands, which successfully formed a complete coverage of mid-to-high end Chinese cuisine, western cuisine and casual dining.

- The income from our core brand "Shanghai Min" has increased by 7.4%, accounting for 71.0% of the total income in the first half of 2015, decreasing from 89.3% in the first half of 2014, which fully implemented the development strategy of focusing on the strategies of multi-brand development as well as standardization duplication, brought up in the end of 2014.

- In the first half of 2015, the Company completed the acquisition of the 65% equity interest for POKKA HK. While maintaining its development in Hong Kong and Macau, the Company is using its best endeavours in the preliminary preparations for its western café restaurant business in Mainland China. The first store in mainland is scheduled to open in Shanghai during the second half of the year.

- The Company entered into cooperation with Oreno Corporation (俺の株式會社), a renowned restaurant group from Japan, for the promotion of Japanese-styled western cuisines business. During the first half of 2015, a Japanese styled restaurant and a French-Italian fusion restaurant were opened at Lan Kwai Fong, Hong Kong and Xintiandi, Shanghai, respectively. They both became the hot spots of the town since grand opening, and were celebrated by the consumers and the media. The operation results also met the expectations of the Company.

- The Company also introduced a western restaurant, named after its legendary founder, Oscar Chef, aka "First Chef of California", Mr. Wolfgang Puck. The new restaurant was opened in July at Xintiandi, Shanghai.

- The Company also entered into a joint venture with The Boathouse, a renowned food and beverage company in the United States, for the establishment of a theme restaurant. The preparation is now being conducted in full swing. The restaurant is expected to commence operation next year.

Chart: Table of brands operated by the Company.

Chinese cuisine	上海小南国 SHANGHAI MIN	MAISON DE CHUI		
Western cuisine	俺の株式会社 ORENO Corporation	WOLFGANG PUCK	BOATHOUSE	とん吉 TONKICHI
Casual dining	南小馆 the dining room	POKKA CAFÉ	米芝莲 Mai Chi Ling	

The rapid growth of "Mai Chi Ling" declared the first victory in licensing business

In the second half of 2014, the Company began to enter cooperation with third-party entrepreneurs for the operation of tea house brand "Mai Chi Ling". The primary business model is to grant licence for franchise operation to rapidly develop throughout the country. The licensor company will collect a certain percentage of pre-defined revenue from the franchisee stores as management fee. The brand achieved rapid development during the first half of 2015. As of 30 June 2015, 178 franchises were granted (of which 88 franchisee stores already commenced operation) covering 87 cites. The average profit margin of licensed stores exceeded 20%. Other than Hong Kong style milk tea as the key product, "Mai Chi Ling" also launched new trendy popular snacks each month. Internet was used to conduct marketing in a flexible and fashionable manner, which facilitated the brand to rapidly penetrate across the country. The Company gained rich experience from "Mai Chi Ling" project in brand operation, which helps the Company to successfully implement the Brand Management strategy.

The business of Pokka was implemented according to plans

The Company acquired 65% equity interest of Pokka HK and its subsidiaries at the beginning of 2015, which operates a series of Western and Japanese leisure brand restaurants mainly in Hong Kong and Macau. As at 30 June 2015, Pokka has a total of 30 stores, including 16 Pokka Café and special features cafés, 2 Buono Nuobo (Italian restaurants) and 1 Copper Luwak (café), 4 Tonkichi (Japanese pork cutlet restaurants), 2 Michichi (ramen restaurants) and 5 new stores with special features. In the first half of 2015, Pokka has contributed a revenue of RMB148 million and a profit of RMB4 million. The operation team of POKKA HK has rich experience and resources on restaurant locations in Hong Kong and has identified Oreno Restaurant in Lan Kwai Fong for the Company. Since the acquisition, POKKA HK aims to develop café business in Mainland China, which is ongoing, with the first café to be opened in the second half of 2015. Benefited from the existing vast operation network of Shanghai Min, the next step of franchise business is in preparation.

Strategic outlook for the second half of 2015

Development of "brand management" strategy

"Brand Management" means to obtain potential brands by self-inventing, acquiring, developing and introducing and to expand and develop in the best way after model optimization.

In 2015, the Company fine-tuned its development strategies, changed from "multi-brand development" to "brand management". By capitalizing our extensive experience and understanding in food and beverage industry, strong advantages in product standardization, model optimization and cross region management capability, we will strive to become a brand management platform enterprise in food and beverage industry. Compared to the original strategy, the main adjustments for "brand management" strategy are as follows:

For brand selection, the Company will capitalize the Chairlady and managements extensive experiences and in-depth insights in the food and beverage industry, so as to explore and adopt state-of-the-art popular business models. The Company may obtain them by the way of acquisition or joint venture and consider potential sales depending on the life cycles of different brands.

For operation of each brand, the Company will facilitate the growth of revenue through "combination of franchising" and "direct operation". In respect of the brands for Chinese cuisine and western cuisine, given the relatively more complicated store operating management, the Company will continue direct operation as main business model. Meanwhile for casual dining brands such as "Mai Chi Ling", "the dining room" and "Pokka Café", given the simple business models and lower technical barrier of the staff, the Company will rapidly expand these brands through franchising.

Business development strategies under brand management

- In respect of our core brand "Shanghai Min", the Company will launch brand new product menu in the second half of 2015. Through it, the Company optimized the product mix to improve the affordability and attractiveness to younger generation and family customers. It would also improve the table-turn rate and turnover of stores. Meanwhile, the Company will continue to improve the operating efficiency and profitability through detailed shift arrangement, refined human resources allocation and operating cost control of the stores.

- In 2015, "the dining room" completed the model optimization and developed rapidly by franchise and business cooperation in the second half of 2015.

- Pokka Café: the most mature model was chosen from its existing brands. After the model optimization, it rapidly developed in the country; in 2015 and 2016, we will focus on develop simplified Pokka Café brand.

- Oreno: Based on the flagship stores in Shanghai and Hong Kong, we will promote Oreno brand and develop Oreno single store.

Fully implement the reform on incentive mechanism and put initiative of the front-line management into play

Given the better-than-expected achievement from the incentive plan implemented by the Company during the first half of 2015, the Company will fully implement the incentive mechanism throughout the Company in the second half of 2015. We will encourage the internal operating management at all levels to employ their entrepreneurship and sense of responsibility and further mobilize the staffs to put their initiative and creativity into play. These efforts are expected to facilitate product innovation, service improvement and cost saving and thus stimulate the profit growth of the stores.

Promote the construction of management system in headquarter and enhance operation efficiency

As to headquarters administration, the Company also underwent a series of reform in order to enhance the efficiency of the headquarters during the first half of 2015. The Company successfully developed and launched an in-house IT management system, which unified various administrative functions such as budgeting, contract approval, payment claims, ordering and receipt, attendance management under one platform. This had considerably enhanced the efficiency of both the Company and the staff. Meanwhile, the administrative expense to revenue ratio decreased from 8.3% of the same period last year to 8.0% in the first half of 2015, which was mainly due to the strict control on headquarters expense during the first half of the year.

FINANCIAL REVIEW

For the six months ended 30 June 2015, the revenue of the Group reached RMB1,002.9 million, representing an increase of RMB260.2 million or 35.0% compared to RMB742.7 million for the six months ended 30 June 2014. The improvement consists of RMB148.3 million contributed by newly acquired Pokka HK, revenue increase of RMB48.4 million from Shang Min Restaurants and RMB63.1 million from brands other than Shang Min, including Oreno, the new brand in 2015. The gross profit of the Group achieved RMB696.9 million, an increase of approximately RMB198.6 million from RMB498.3 million for the same period of 2014. For the six months ended 30 June 2015, the profit attributable to owners of the Company amounted to approximately RMB14.9 million, an increase of RMB14.3 million compared to the profit for the same period of 2014.

As at 30 June 2015, the Group operated a restaurant network of 81 “Shanghai Min” restaurants, 3 “Maison De L’Hui” restaurants, 19 “the dining room” restaurants, 2 restaurants under new-brand “Oreno” and 2 restaurants under other brands, as well as 30 newly acquired restaurants under POKKA HK brands, which covers some of the most affluent and fast-growing cities in China, Hong Kong and other regions. The following table sets forth the revenue and the number of the restaurants in operation, by geographical region and brand, as at 30 June 2015 and 2014.

	Six months ended 30 June			
	2015		2014	
	Number of restaurants Note (iii)	*Revenue RMB'000 (unaudited)*	*Number of restaurants*	*Revenue RMB'000 (unaudited)*
China *(Note (ii))*				
— Shanghai Min *(Note (vi))*	71	613,598	63	560,616
— Maison De L'Hui	3	28,725	4	23,554
— the dining room	14	56,984	7	23,592
— Oreno	1	1,001	—	—
— Other brands (Note (iv))	2	4,911	1	2,067
Hong Kong				
— Shanghai Min	9	86,912	9	87,468
— the dining room	4	29,042	3	29,222
— Oreno	1	11,610	—	—
— POKKA HK Brands (Note (v))	29	140,972	—	—
Macau				
— Shanghai Min	1	11,170	1	14,835
— the dining room	1	2,035	—	—
— POKKA HK Brands (Note (v))	1	7,362	—	—
Total revenue of restaurant operations *(Note (i))*	137	994,322	88	741,354
Other revenue		8,595		1,395
Total revenue		1,002,917		742,749

Notes

(i) Total revenue of restaurant operations included revenue of restaurant operations and packaging products of restaurants.

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

(iii) The number of restaurants did not include "Mai Chi Ling" licensed stores.

(iv) Other brands include 1 “Shanghai Min’s Family Restaurant” and 1 “Coast Fever” restaurant.

(v) POKKA HK brands include 30 stores under 10 brands such as Pokka Café and Tonkichi, etc., in Hong Kong and Macau.

(vi) Shanghai Min store number increased by 8 vs. that at the end of June 2014, mainly contributed by store opening in the second half of 2014. The net store number increase in 2015 was nil.

Revenue

Revenue of the Group increased by RMB260.2 million, or 35.0%, from RMB742.7 million for the six months ended 30 June 2014 to RMB1,002.9 million for the six months ended 30 June 2015. This increase was due to an increase of RMB253.0 million in total revenue of restaurant operations and an increase of RMB7.2 million in other revenue during the period.

Total Revenue of restaurant operations

Total revenue of restaurant operations increased by RMB253.0 million, or 34.1%, from RMB741.3 million for the six months ended 30 June 2014 to RMB994.3 million for the six months ended 30 June 2015 primarily reflecting:

- an increase of RMB148.3 million in revenue contributed by 30 stores under POKKA HK brands that were acquired at the beginning of 2015;
- an increase of RMB24.3 million, representing an increase of 4.0%, in comparable restaurants sales from the six months ended 30 June 2014 to the six months ended 30 June 2015;
- an increase of RMB86.6 million in revenue from restaurants that were opened in 2014;
- an increase of RMB23.2 million in revenue from 7 restaurants newly opened during 2015 among which RMB12.6 million from 2 stores under the new brand “Oreno”;
- the closure, suspension, renovation of stores in 2014 and in the first half of 2015 incurred a decrease in revenue of RMB29.4 million.

Other revenue

Other revenue increased by RMB7.2 million, from RMB1.4 million for the six months ended 30 June 2014 to RMB8.6 million for the six months ended 30 June 2015, which primarily reflected an increase of RMB4.2 million in Mai Chi Ling licensing business during 2015.

Cost of sales

Cost of sales increased by RMB61.6 million, or 25.2%, from RMB244.4 million for the six months ended 30 June 2014 to RMB306.0 million for the six months ended 30 June 2015.

Cost of sales as a percentage of the revenue decreased from 32.9% for the six months ended 30 June 2014 to 30.5% for the six months ended 30 June 2015 primarily reflecting the reduction in food cost and promotion discount.

Other income

Other income decreased by RMB2.3 million, from RMB25.0 million for the six months ended 30 June 2014 to RMB22.7 million for the six months ended 30 June 2015, primarily reflecting the change in policies resulting in the reduction of government subsidies by RMB2.7 million.

Selling and distribution expenses

Selling and distribution expenses increased by RMB153.3 million, or 33.9%, from RMB452.3 million for the six months ended 30 June 2014 to RMB605.6 million for the six months ended 30 June 2015, including RMB98.8 million from newly acquired POKKA HK for the six months ended 30 June 2015.

Labor costs relating to the restaurants, central kitchens and central warehouses increased by RMB67.8 million, or 37.7%, from RMB179.7 million for the six months ended 30 June 2014 to RMB247.5 million for the six months ended 30 June 2015. As a percentage of our revenue, labor costs slightly increased from 24.2% for the six months ended 30 June 2014 to 24.7% for the six months ended 30 June 2015, reflecting the higher labor cost in newly acquired POKKA HK.

Occupancy costs relating to restaurants, central kitchens and central warehouses increased by RMB44.2 million, or 34.0%, from RMB130.1 million for the six months ended 30 June 2014 to RMB174.3 million for the six months ended 30 June 2015. As a percentage of our revenue, occupancy costs decreased from 17.5% for the six months ended 30 June 2014 to 17.4% for the six months ended 30 June 2015.

Depreciation expenses relating to the restaurants, central kitchens and central warehouses increased by RMB17.0 million, or 29.1%, from RMB58.4 million for the six months ended 30 June 2014 to RMB75.4 million for the six months ended 30 June 2015. As a percentage of our revenue, depreciation expenses decreased from 7.9% for the six months ended 30 June 2014 to 7.5% for the six months ended 30 June 2015.

General and administrative expenses

Administrative expenses increased by RMB18.2 million, or 29.5%, from RMB61.6 million for the six months ended 30 June 2014 to RMB79.8 million for the six months ended 30 June 2015, and as a percentage of our revenue, administrative expenses decreased from 8.3% to 8.0% during the same periods. It primarily reflected the successful restructure of the Business Units and Head Office resulted in reduction in administrative expense.

Other expenses

Other expenses of RMB7.3 million for the six months ended 30 June 2015 were mainly attributable to a one-time write-off of store closure of RMB6.3 million.

Income tax expenses

Income tax expenses increased by RMB5.1 million from RMB0.9 million for the six months ended 30 June 2014 to RMB6.0 million for the six months ended 30 June 2015, which was mainly attributable to increased earnings shares contributed by Mainland segment that has a higher tax burden compared with other region.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit for the period attributable to owners of the Company increased by RMB14.3 million from RMB0.6 million for the six months ended 30 June 2014 to RMB14.9 million in the six months ended 30 June 2015. The net profit margin increased from 0.1% for the six months ended 30 June 2014 to 1.5% for the six months ended 30 June 2015.

Dividends payable

For the six months ended 30 June 2015, the Group did not pay any dividends. As at 30 June 2015, there were no outstanding dividends payable.

MRL, a subsidiary of the Group declared HK$34,000,000 (equivalent to RMB26,812,000) distribution on 20 March 2015 to its shareholders Bright Charm and Rosy Metro. The outstanding balance represented the dividends payable to Rosy Metro.

Liquidity, financial resources and cash flow

The Group should fund the liquidity and capital requirements primarily through capital contributions from shareholders, bank loans, cash inflows from the operating activities and proceeds received from equity raise.

The gearing ratio was 26.8%. Gearing ratio is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing borrowings, trade payables and other payables and accruals, less cash and cash equivalents. Capital represents equity attributable to owners of the Company.

As at 30 June 2015, total current assets and total current liabilities were RMB534.4 million and RMB576.7 million respectively. The current liabilities exceeded the current assets by RMB42.3 million, which was mainly attributable to the one-off consideration paid for the acquisition of POKKA HK during the first half of 2015. Meanwhile, net cash inflow from operating activities of the Group for the first half of 2015 was RMB82.6 million, which was sufficient for various payments.

The Group had net cash inflows from operating activities of RMB82.6 million for the six months ended 30 June 2015 (for the six months ended 30 June 2014: RMB30.2 million). As at 30 June 2015, the Group had RMB252.7 million in cash and cash equivalents (30 June 2014: RMB305.5 million). The following table sets out certain information regarding the consolidated cash flows for the period ended 30 June 2015 and 2014.

	For the six months ended 30 June	
	2015	**2014**
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Net cash flows from operating activities	82,622	30,153
Net cash flows used in investing activities	(198,277)	(77,031)
Net cash flows from financing activities	100,353	25,020
Net decrease in cash and cash equivalents	(15,302)	(21,858)
Cash and cash equivalents at the beginning of the period	269,305	324,499
Effect of foreign exchange rate changes, net	(1,274)	2,898
Cash and cash equivalents at the end of the period	252,729	305,539

Operating activities

Net cash inflow from operating activities increased by RMB52.5 million from RMB30.2 million for the six months ended 30 June 2014 to RMB82.6 million for the six months ended 30 June 2015, which was primarily attributable to the increase of profit in operating activities.

Investing activities

Net cash flow used in investing activities was RMB198.3 million in the six months ended 30 June 2015, compared with RMB77.0 million for the same period in 2014. It was mainly due to the acquisition of POKKA HK at the beginning of 2015.

Financing activities

Net cash flow generated from financing activities changed from a cash inflow of RMB25.0 million during the six months ended 30 June 2014 to a cash inflow of RMB100.4 million during the six months ended 30 June 2015, representing an increase of RMB75.4 million, which was primarily attributable to the bank loans increase as a result of acquisition at the beginning of the year.

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 2015 and 30 June 2014 are denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure of foreign exchange risk.

Contingent liabilities

There were no significant contingent liabilities for the Group as at 30 June 2015 and 31 December 2014.

Operating lease arrangements

As lessee

The Group leases certain of its offices and restaurant properties under operating lease arrangements. Leases for properties are negotiated for terms mainly ranging from 5 to 12 years.

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

	30 June 2015	**31 December 2014**
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Within one year	234,579	247,237
In the second to fifth years, inclusive	686,400	694,581
After five years	260,835	283,368
	1,181,814	1,255,186

Capital commitment

Capital commitments were approximately RMB32.1 million and RMB77.0 million as at 30 June 2015 and 31 December 2014 respectively.

Human resources

The salary level of employees in the China restaurant industry has been generally increasing in recent years. Employee attrition level tend to be higher in the catering industry than other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 30 June 2015, the Group recruited about 6,295 employees in China, Hong Kong and other regions. During the six months ended 30 June 2015, total staff cost was RMB293.6 million, accounting for 29.3% of the revenue (six months ended 30 June 2014: RMB220.0 million, 29.6% of the revenue).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014 : Nil).

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its code of corporate governance. Except as disclosed below, for the six months ended 30 June 2015, the Company has complied with the applicable code provisions in the CG Code.

On 4 June 2015, the Company failed to comply with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules after the retirements of Mr. Tsang Henry Yuk Wong and Mr. Wang Yu as independent non-executive Directors. Since Mr. Lui Wai Ming's appointment as an independent non-executive Director, the chairman of the audit committee of the Board (the "Audit Committee") and a member of the nomination committee of the Board, independent non-executive Director Dr. Wu Chun Wah's appointment as the chairman of the remuneration committee of the Board, and Mr. Wang Chiwei's re-designation of the chairman to a member of the Remuneration Committee on 18 August 2015, the Company has fully complied with the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules.

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 the Directors have confirmed that they have complied with the required standard of dealings set out in the Model Code for the six months ended 30 June 2015.

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

For the six months ended 30 June 2015, 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 the Audit Committee on 30 August 2011 with written terms of reference formulated in accordance with the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the Group's internal control and financial reporting process and to maintain an appropriate relationship with the Company's independent auditors.

As at the date of this announcement, the members of the Audit Committee include Mr. Lui Wai Ming (appointed on 18 August 2015), Dr. Wu Chun Wah (appointed on 4 June 2015) and Mr. Weng Xiangwei. Mr. Lui Wai Ming is the chairman of the Audit Committee.

The Audit Committee has discussed with the management of the Company and the external auditor about the accounting principles and practices adopted by the Company and reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015.

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 2015 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available for review on the aforesaid websites in due course.

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

Shanghai, the People's Republic of China, 27 August 2015

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. LUI Wai Ming, Dr. WU Chun Wah and Mr. WANG Chiwei.