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SHANGHAI MIN

**Xiao Nan Guo Restaurants Holdings Limited**

**小南國餐飲控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3666)**

**CONNECTED TRANSACTION – ASSET DISPOSAL AGREEMENT  
AND  
CONTINUING CONNECTED TRANSACTION – SUPPLEMENTAL  
LEASE AGREEMENT IN RELATION TO  
THE RENEWED YINGKOU LEASE AGREEMENT**

**(I) CONNECTED TRANSACTION – ASSET DISPOSAL AGREEMENT**

On 18 December 2015, Xiao Nan Guo Group and Shanghai Xiao Nan Guo entered into the Asset Disposal Agreement pursuant to which Xiao Nan Guo Group agreed to sell and Shanghai Xiao Nan Guo agreed to acquire the Assets in the Restaurant, for a consideration of RMB30,306,100 (equivalent to approximately HK\$36,250,000).

Xiao Nan Guo Group is a company indirectly wholly-owned by Ms. Wang, the chairlady, executive Director and Controlling Shareholder of the Company. Shanghai Xiao Nan Guo is an indirectly wholly-owned subsidiary of the Company. Therefore, Xiao Nan Guo Group is a connected person of the Company and entering into the Asset Disposal Agreement constitutes a connected transaction for the Company under the Listing Rules.

As each of the relevant percentage ratios (other than the profits ratio) of the transaction amounts under the Asset Disposal Agreement is higher than 0.1% but less than 5%, the aforesaid transactions contemplated under the Asset Disposal Agreement are exempted from the independent shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules but are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

**(II) CONTINUING CONNECTED TRANSACTION – SUPPLEMENTAL LEASE  
AGREEMENT IN RELATION TO THE RENEWED YINGKOU LEASE  
AGREEMENT**

On 18 December 2015, Xiao Nan Guo Group and Shanghai Xiao Nan Guo entered into the Supplemental Lease Agreement in relation to the Renewed Yingkou Lease Agreement to downward adjust the rates for determining the rent payable by Shanghai Xiao Nan Guo for the Restaurant Lease and to grant to Shanghai Xiao Nan Guo two options of renewal of the Restaurant Lease for two consecutive terms of three years each at the same terms or terms not less favourable than the Restaurant Lease (as amended from time to time).

As disclosed in the announcement of the Company dated 7 November 2014, the annual cap in respect of the Renewed Yingkou Lease Agreement for the financial years ending 31 December 2015, 2016 and 2017 is RMB10.1 million, RMB11.6 million and RMB13.4 million respectively. Taking into account the Supplemental Lease Agreement, it is expected that the aggregate transaction amounts under the Renewed Yingkou Lease Agreement will not exceed the original aggregate annual caps as set out in that announcement of the Company.

As the relevant commercial terms under the Renewed Yingkou Lease Agreement were amended following the execution of the Supplemental Lease Agreement and the transaction amount under the Supplemental Lease Agreement does not exceed maximum transaction amount as permitted under the Renewed Yingkou Lease Agreement, the Supplemental Lease Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements, but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

References are made to the Prospectus and the announcement of the Company dated 7 November 2014 in relation to the Renewed Yingkou Lease Agreement.

#### **(I) CONNECTED TRANSACTION**

Pursuant to the Renewed Yingkou Lease Agreement, Xiao Nan Guo Group agreed to lease the premises located at 601 Yingkou Road, Shanghai, the PRC to Shanghai Xiao Nan Guo, of which an area of approximately 3,700 sq.m. would be used as restaurants for a term of 3 years from 1 January 2015 to 31 December 2017.

On 18 December 2015, Xiao Nan Guo Group and Shanghai Xiao Nan Guo entered into the Asset Disposal Agreement pursuant to which Xiao Nan Guo Group agreed to sell and Shanghai Xiao Nan Guo agreed to acquire the Assets in the Restaurant for a consideration of RMB30,306,100 (equivalent to approximately HK\$36,250,000).

**Date:** 18 December 2015

**Parties:** (1) Xiao Nan Guo Group (as the transferor)  
(2) Shanghai Xiao Nan Guo (as the transferee)

**Subject:** Xiao Nan Guo Group agreed to sell and Shanghai Xiao Nan Guo agreed to acquire the Assets in the Restaurant.

**Consideration:** The total consideration for the sale and acquisition of the Assets amounted to RMB30,306,100 (equivalent to approximately HK\$36,250,000).

The total consideration is determined in accordance with the appraisal value of the Assets in the Restaurant as at 18 December 2015 which was RMB30,306,100 (equivalent to approximately HK\$36,250,000).

**Date of Asset transfer:** The Assets will be transferred from Xiao Nan Guo Group to Shanghai Xiao Nan Guo on 18 December 2015 (the “**Asset Transfer Date**”).

**Payment terms:** Shanghai Xiao Nan Guo will commence inventory checking of the Assets from the Asset Transfer Date. The consideration shall be settled by Shanghai Xiao Nan Guo by making a lump sum payment in cash within 30 days after the Asset Transfer Date.

## **REASONS FOR THE TRANSACTION**

As Xiao Nan Guo Group agrees to grant Shanghai Xiao Nan Guo two options of renewal of the Restaurant Lease for two consecutive terms of three years each from the expiration of the term of the Restaurant Lease at the same terms or terms not less favourable than the Restaurant Lease (as amended from time to time) and the fact that the rent payable for the Restaurant Lease for the remaining term will be reduced from 17% to 12% would enable Shanghai Xiao Nan Guo to maintain the Restaurant Lease at a favourable rent, Shanghai Xiao Nan Guo agrees to acquire the Assets in the Restaurant from Xiao Nan Guo Group.

The Directors (including the independent non-executive Directors) are of the view that the terms of Asset Disposal Agreement is on normal commercial terms and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES REQUIREMENTS**

Shanghai Xiao Nan Guo is an indirectly wholly-owned subsidiary of the Company. Xiao Nan Guo Group is a company indirectly wholly-owned by Ms. Wang, the chairlady, executive Director and Controlling Shareholder of the Company. Therefore, Xiao Nan Guo Group is a connected person of the Company and entering into the Asset Disposal Agreement constitutes a connected transaction for the Company under the Listing Rules.

As each of the relevant percentage ratios (other than the profits ratio) of the transaction amounts under the Asset Disposal Agreement is higher than 0.1% but less than 5%, the aforesaid transactions contemplated under the Asset Disposal Agreement are exempt from the independent shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules but are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Ms. Wang has abstained from voting on the Board resolutions for approving the Asset Disposal Agreement. No Director other than Ms. Wang has material interests in the transaction contemplated under the Asset Disposal Agreement.

## **(II) CONTINUING CONNECTED TRANSACTION**

On 18 December 2015, Xiao Nan Guo Group and Shanghai Xiao Nan Guo entered into the Supplemental Lease Agreement in relation to the Renewed Yingkou Lease Agreement to downward adjust the rates for determining the rent payable by Shanghai Xiao Nan Guo for the Restaurant Lease and to grant to Shanghai Xiao Nan Guo two options of renewal of the Restaurant Lease for two consecutive terms of three years each.

## **SUPPLEMENTAL LEASE AGREEMENT**

On 18 December 2015, Xiao Nan Guo Group as the landlord and Shanghai Xiao Nan Guo as the tenant entered into the Supplemental Lease Agreement, pursuant to which:

- (i) the rent payable by Shanghai Xiao Nan Guo to Xiao Nan Guo Group under the Restaurant Lease is reduced from 17% to 12% of the annual turnover of Shanghai Xiao Nan Guo; and
- (ii) Shanghai Xiao Nan Guo shall have two options of renewal of the Restaurant Lease for two consecutive terms of three years each from the expiration of the term of the Restaurant Lease at the same terms or terms not less favourable than the Restaurant Lease (as amended from time to time). Each option of renewal shall be exercised by Shanghai Xiao Nan Guo by giving to Xiao Nan Guo Group a notice in writing to not less than six months before the expiration of the term of the Restaurant Lease. Xiao Nan Guo Group is bound to renew the Restaurant Lease at the same terms or terms not less favourable than the Restaurant Lease (as amended from time to time) upon receipt of notice from Shanghai Xiao Nan Guo.

Save for the above amendments, all other terms and conditions of the Renewed Yingkou Lease Agreement shall remain unchanged and shall continue in full force and effect and shall not be affected in any respect.

## **ANNUAL CAP**

As disclosed in the announcement of the Company dated 7 November 2014, the annual cap in respect of the Renewed Yingkou Lease Agreement for the financial years ending 31 December 2015, 2016 and 2017 is RMB10.1 million, RMB11.6 million and RMB13.4 million, respectively. Taking into account the Supplemental Lease Agreement, it is expected that the aggregate transaction amounts under the Renewed Yingkou Lease Agreement will not exceed the original aggregate annual caps as set out in that announcement of the Company.

## **REASONS FOR THE TRANSACTION**

Considering Shanghai Xiao Nan Guo agreed to acquire the Assets in the Restaurant from Xiao Nan Guo Group under the Asset Disposal Agreement on 18 December 2015 (see the section titled “Connected Transaction” above), Xiao Nan Guo Group agrees to decrease the rent payable by Shanghai Xiao Nan Guo under the Restaurant Lease and grants to Shanghai Xiao Nan Guo two options of renewal of the Restaurant Lease for two consecutive terms of three years each by entering into the Supplemental Lease Agreement with Shanghai Xiao Nan Guo. The Board considers it beneficial for the Group to keep the basis of calculation of the rent payable at a lower rate than previously agreed for a longer term at the option of the Group.

The Directors (including the independent non-executive Directors) are of the view that the Supplemental Lease Agreement is on normal commercial terms and is fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES REQUIREMENTS**

Xiao Nan Guo Group is a company indirectly wholly-owned by Ms. Wang, the chairlady, executive Director and Controlling Shareholder of the Company. Shanghai Xiao Nan Guo is an indirect wholly-owned subsidiary of the Company. Therefore, Xiao Nan Guo Group is a connected person of the Company and entering into the Supplemental Lease Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the relevant commercial terms under the Renewed Yingkou Lease Agreement were amended following the execution of the Supplemental Lease Agreement and the transaction amount under the Supplemental Lease Agreement does not exceed maximum transaction amount as permitted under the Renewed Yingkou Lease Agreement, the Supplemental Lease Agreement and the transactions contemplated thereunder are subject to the reporting, annual review and announcement requirements, but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Wang has abstained from voting on the Board resolutions for approving the Supplemental Lease Agreement. No Director other than Ms. Wang has material interests in the transaction contemplated under the Supplemental Lease Agreement.

## **INFORMATION ON THE COMPANY AND THE CONNECTED PERSON**

The Company is a holding company of the subsidiaries which principally engage in Chinese restaurant business in the PRC and in Hong Kong.

Shanghai Xiao Nan Guo is an indirect wholly-owned subsidiary of the Company and principally engages in the operation of chain restaurants in the PRC.

Xiao Nan Guo Group is a company indirectly wholly-owned by Ms. Wang and principally engages in hotel and property management business.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Assets”	all decorative renovation work, kitchen facilities and related assets used for the operation of the Restaurant, including but not limited to kitchenware, furniture, soft furnishing, facilities, renovation, information and technology system, lighting system, mechanical system, fire safety system, ventilation system and other assets, but excluding any existing stock in the Restaurant
“Asset Disposal Agreement”	the agreement entered into between Shanghai Xiao Nan Guo and Xiao Nan Guo Group dated 18 December 2015 in relation to the sale and acquisition of the Assets
“Board”	the board of Directors

“Company”	Xiao Nan Guo Restaurants Holdings Limited (小南國餐飲控股有限公司), whose shares are listed on the main board of the Stock Exchange (stock code: 3666)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Wang”	Ms. Wang Huimin, the chairlady, executive Director and Controlling Shareholder of the Company
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus issued by the Company on 21 June 2012 in relation to the global offering and listing of the shares of the Company on the main board of the Stock Exchange
“Renewed Yingkou Lease Agreement”	the lease agreement entered into between Xiao Nan Guo Group and Shanghai Xiao Nan Guo dated 7 November 2014, details of which have been disclosed in the announcement of the Company dated 7 November 2014
“Restaurant”	an area of approximately 3,700 sq.m. located at 601 Yingkou Road, Shanghai, the PRC leased by Xiao Nan Guo Group to Shanghai Xiao Nan Guo for restaurant purposes pursuant to the Yingkou Lease Agreement
“Restaurant Lease”	the specific lease agreement of the Restaurant in relation to the Renewed Yingkou Lease Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Xiao Nan Guo”	Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd. (上海小南國海之源餐飲管理有限公司), an indirectly wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Lease Agreement”	the supplemental lease agreement entered into between Shanghai Xiao Nan Guo and Xiao Nan Guo Group dated 18 December 2015 in relation to the Renewed Yingkou Lease Agreement
“Xiao Nan Guo Group”	Xiao Nan Guo (Group) Company Ltd. (小南國(集團)有限公司), a limited liability company indirectly wholly-owned by Ms. Wang
“Yingkou Lease Agreement”	the lease agreement entered into between Xiao Nan Guo Group and Shanghai Xiao Nan Guo, details of which have been disclosed in the Prospectus

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

Shanghai, the People’s Republic of China, 18 December 2015

*As at the date of this announcement, the executive directors of the Company are Ms. WANG Huimin, Ms. WU Wen and Mr. KANG Jie; the non-executive directors of the Company are Ms. WANG Huili, Mr. WENG Xiangwei and Mr. WANG Hairong; and the independent non-executive directors of the Company are Mr. WANG Chiwei, Dr. WU Chun Wah and Mr. LUI Wai Ming.*