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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2015	**2014**	*Increase/ (decrease)*
Revenue (RMB'000)	2,035,177	1,544,199	31.8%
Gross profit[1] (RMB'000)	1,405,409	1,034,927	35.8%
Gross margin[2]	69.1%	67.0%	2.1%
(Loss)/profit for the year (RMB'000)	(98,417)	1,032	N/A
Net profit margin[3]	(4.84%)	0.07%	(4.91%)
Earnings per share – Basic	RMB(6.4) cents	RMB0.04 cents	
One-off Expense impact	100,252	6,528	
Number of restaurants[4] (as at 31 December)	139	103	

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 (loss)/profit for the year 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.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Xiao Nan Guo Restaurants Holdings Limited (the "**Company**" or "**Xiao Nan Guo**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2015, together with comparative figures for the year of 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	4	**2,035,177**	1,544,199
Cost of sales		**(629,768)**	(509,272)
Gross profit		**1,405,409**	1,034,927
Other income and gain	4	**44,041**	46,616
Selling and distribution expenses		**(1,256,272)**	(931,853)
Administrative expenses		**(183,312)**	(127,812)
Other expenses		**(91,468)**	(7,746)
Finance costs	6	**(12,357)**	(6,015)
(LOSS)/PROFIT BEFORE TAX	5	**(93,959)**	8,117
Income tax expense	7	**(4,458)**	(7,085)
(LOSS)/PROFIT FOR THE YEAR		**(98,417)**	1,032
Attributable to:			
Owners of the Company		**(93,242)**	566
Non-controlling interests		**(5,175)**	466
		(98,417)	1,032
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
– Basic	9	**RMB(6.4) cents**	RMB0.04 cents
– Diluted	9	**RMB(6.4) cents**	RMB0.04 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(98,417)**	1,032
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**2,042**	–
Exchange differences on translation of foreign operations	**3,732**	1,001
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**5,774**	1,001
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(92,643)**	2,033
Attributable to:		
Owners of the Company	**(87,468)**	1,567
Non-controlling interests	**(5,175)**	466
	(92,643)	2,033

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	**2015 31 December RMB'000**	2014 31 December RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**721,712**	685,999
Goodwill		**12,674**	–
Intangible assets		**35,468**	4,325
Available-for-sale investments		**19,990**	20,100
Long-term rental deposits		**98,518**	66,234
Deferred tax assets		**84,526**	72,611
Pledged deposits		**60,000**	–
Loan to a non-controlling shareholder		**44,487**	–
Other long-term receivables		**31,836**	–
Other long-term assets		**–**	157
Total non-current assets		**1,109,211**	849,426
CURRENT ASSETS			
Inventories		**54,116**	45,014
Trade receivables	*10*	**25,677**	18,068
Prepayments, deposits and other receivables	*11*	**168,434**	175,693
Financial assets at fair value through profit or loss		**227**	–
Pledged deposits		**20,000**	–
Cash and cash equivalents	*12*	**169,024**	269,305
Total current assets		**437,478**	508,080
CURRENT LIABILITIES			
Trade payables	*13*	**117,889**	102,458
Interest-bearing bank loans		**291,099**	236,141
Tax payable		**15,963**	16,240
Other payables and accruals	*14*	**198,503**	150,508
Deferred income		**5,221**	841
Total current liabilities		**628,675**	506,188
NET CURRENT (LIABILITIES)/ASSETS		**(191,197)**	1,892
TOTAL ASSETS LESS CURRENT LIABILITIES		**918,014**	851,318

	Notes	2015 31 December RMB'000	2014 31 December RMB'000
NON-CURRENT LIABILITIES			
Long-term defer payment		**31,836**	–
Long-term payables		**71,371**	61,887
Interest-bearing bank loans		**43,217**	–
Deferred tax liabilities		**708**	777
Total non-current liabilities		**147,132**	62,664
Net assets		**770,882**	788,654
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*15*	**12,035**	12,062
Treasury shares		**–**	(2,711)
Reserves		**687,864**	772,809
		699,899	782,160
Non-controlling interests		**70,983**	6,494
Total equity		**770,882**	788,654

1. CORPORATE AND GROUP INFORMATION

Xiao Nan Guo Restaurants Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered address 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 principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the operation of chain restaurants in Mainland China, Hong Kong and other regions. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Xiao Nan Guo restaurants holdings Limited, which is incorporated in the Cayman Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital *('000)*	Percentage of equity attributable to the Company direct	indirect	Principal activities *(Notes)*
Shanghai Pudong Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB5,000	–	100	(1)
Shanghai Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB30,000	–	100	(1)
Shanghai Xinqu Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB500	–	100	(1)
Shanghai Xiao Nan Guo Hai Zhi Yuan Restaurant Management Co., Ltd.	PRC	RMB450,000	–	100	(3)
Shanghai Jing'an Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB2,000	–	100	(1)
Shanghai Zhonghuan Huimin Restaurant Management Co., Ltd.	PRC	RMB1,000	–	100	(1)
Shanghai Xiao Nan Guo Nutritional Food Co., Ltd.	PRC	RMB3,000	–	100	(2)
Shanghai Xuhui Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB500	–	100	(1)

Company Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital *('000)*	Percentage of equity attributable to the Company direct	indirect	Principal activities *(Notes)*
Beijing Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB2,000	–	100	(1)
Shanghai Jinshan Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Shanghai Hongmei Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB5,000	–	100	(1)
Shanghai Changning Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Shanghai Hongkou Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Nanjing Xiao Nan Guo Huimin Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Suzhou Ligongdi Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Dalian Shidai Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Shanghai Huangpu Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB1,000	–	100	(1)
Ningbo Haishu Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB500	–	100	(1)
Nanjing Jiangning Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB1,000	–	100	(1)
Shanghai Songjiang Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Shanghai Xinyi Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB500	–	100	(1)
Shanghai Baoshan Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)

Company Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital *('000)*	Percentage of equity attributable to the Company direct	indirect	Principal activities *(Notes)*
Shenzhen Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB5,000	–	100	(1)
Shanghai Zhabei Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB500	–	100	(1)
Tianjin Hui Zhi Nan Restaurant Management Co., Ltd.	PRC	RMB500	–	100	(1)
Wuxi Hui Zhi Nan Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Chengdu Hui Zhi Nan Restaurant Co, Ltd	PRC	RMB5,000	–	100	(1)
Shenyang Xiao Nan Guo Restaurant Co, Ltd	PRC	RMB500	–	100	(1)
Shanghai Huimin Xiao Nan Guo Restaurant Co., Ltd.	PRC	RMB500	–	100	(1)
Shanghai Putuo Xiao Nan Guo Restaurant Management Co., Ltd.	PRC	RMB500	–	100	(1)
Shanghai Xiao Nan Guo King Merit Restaurant Management Co., Ltd.	PRC	RMB2,000	–	100	(1)
Shanghai Xiao Nan Guo Zunshi Food Trade Co., Ltd.	PRC	RMB10,000	–	100	(2)
Shanghai Yiqian International Trade Co., Ltd	PRC	RMB10,000	–	100	(9)
Shanghai Yan Meng Technology and Information Development Co., Ltd (Formerly known as Shanghai Xiao Nan Guo Technology and Information Development Co., Ltd)	PRC	RMB1,000	–	100	(10)
Shanghai Mizhilian Restaurant Management Co., Ltd	PRC	RMB200	–	50	(8)
Shanghai Xiao Nan Guo Oreno Restaurant Management Co., Ltd.	PRC	RMB7,000	–	100	(7)

Company Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital *('000)*	Percentage of equity attributable to the Company direct	indirect	Principal activities *(Notes)*
Shanghai Huijie Restaurant Management Co., Ltd. (上海慧捷餐飲管理有限公司)	PRC	RMB1,000	–	51	(7)
Shanghai Huizhi Restaurant Management Co., Ltd. (上海慧置餐飲管理有限公司)	PRC	RMB1,000	–	65	(1)
Shanghai Xiao Nan Guo Huajing Food Science and Technology Development Co., Ltd.	PRC	RMB8,160	–	51	(6)
Xiao Nan Guo Management Co., Ltd.	Hong Kong	HK$0.2	–	100	(4)
Xiao Nan Guo Management (Kowloon) Limited	Hong Kong	HK$10	–	100	(4)
Xiao Nan Guo (Causeway Bay) Management Limited	Hong Kong	HK$300	–	100	(4)
Xiao Nan Guo (Kowloon Bay) Management Limited	Hong Kong	HK$10	–	100	(4)
Xiao Nan Guo (Shatin) Management Limited	Hong Kong	HK$10	–	100	(4)
Xiao Nan Guo (One Peking) Management Limited	Hong Kong	HK$0.001	–	100	(4)
Xiao Nan Guo Holdings Limited	Hong Kong	HK$330.2	–	100	(7)
Wisecorp Worldwide Development Limited	Hong Kong	HK$5,000	–	100	(7)
Xiao Nan Guo Holdings Limited	BVI	US$10	100	–	(7)
Xiao Nan Guo (Hong Kong) Restaurant Group Limited	BVI	US$0.00001	100	–	(7)
King Merit Corporation Limited	Hong Kong	HK$0.01	–	100	(7)
King Merit (Macau) Limited	Macau	HK$10,000	–	100	(5)

Company Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital *('000)*	Percentage of equity attributable to the Company direct	indirect	Principal activities *(Notes)*
High Ace Enterprises Limited	Hong Kong	US$0.001	100	–	(7)
Oreno Xiao Nan Guo International (Hong Kong) Limited	Hong Kong	HK$7,600	–	68	(7)
Big Wonder Limited	BVI	US$0.001	100	–	(7)
Jet Elite Investments Limited	Hong Kong	HK$0.001	–	51	(7)
Lucky Grip Limited	BVI	US$0.001	100	–	(7)
Bright Charm Development Limited	BVI	US$0.001	100	–	(7)
Team Harvest Investment Limited	Hong Kong	HK$0.001	–	70	(7)
Magic New Investments Limited	Hong Kong	HK$38,000	–	100	(7)
Roadmap Ventures Limited	BVI	US$0.001	100	–	(7)
Rosy Lead Limited	BVI	US$0.001	100	–	(7)
Affluent Harvest Limited	BVI	US$1	100	–	(7)
Million Rank Limited	BVI	US$0.1	–	65	(7)
Million Rank (HK) Limited (Formerly named Pokka Corporation (HK) Limited)	Hong Kong	HK$16,000	–	65	(4)
Million Rank (Macau) Limited (Formerly named Pokka Coffee (Macau) Ltd.)	Macau	MOP200	–	65	(5)
Xu Feng Limited	Hong Kong	HK$0.1	–	65	(7)
Beauty Wheel Limited	Hong Kong	HK$0.1	–	70	(7)

Notes of the principal activities

(1) Operation of Chinese restaurant chain stores in Mainland China

(2) Trading and sale of pre-packaged food in the PRC

(3) Restaurant management and operation of Chinese restaurant chain stores in Mainland China

(4) Operation of Chinese restaurant chain stores in Hong Kong

(5) Operation of Chinese restaurant chain stores in Macau

(6) Production and sale of micro-freezing liquid and micro-freezing machines, and provision of related services

(7) Investment holding

(8) Rendering the management services and engaged in franchise operation

(9) Goods and technology import and export services in Mainland China

(10) Rendering of IT technology services and sale of software

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"). They have been prepared under the historical cost convention except for financial assets at fair value through profit or loss and equity investment which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Net current liability

As at 31 December 2015, the current liabilities of the Group exceeded its current assets by approximately RMB191.2 million. In the opinion of the Directors, the net current liability position was mainly caused by the full payment for cash consideration of the acquisition transaction and capital investment on newly opened stores. The Directors have prepared these financial statements on a going concern basis based on the cash flow forecast, for the next 18-months since 31 December 2015, that the Group will generate sufficient operation cash inflows to meet its financial obligations when they fall due.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

The adoption of the revised IFRSs has had no significant financial impact on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IAS 7	*Disclosure initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
IFRS 16	Leases[4]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
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	*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 annual periods beginning on or after 1 January 2019
5 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

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits; and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after 1 January 2017 and to be applied retrospectively. The Group expects to adopt the amendments from 1 January 2017. The amendments are not expected to have any significant impact on the Group's financial statements.

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17. In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

Given the nature of the Group's operations, it is expected to have impacts on the Group's consolidated financial statements. The Group has not completed its assessment of the full impact of adopting IFRS 16 and therefore the possible impacts on the Group's operating results and financial position have not been quantified.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3. OPERATING SEGMENT INFORMATION

In the year before 31 December 2014, 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. On 7 January 2015, since the Group completed the acquisition of Million Rank (HK) Limited and its subsidiary Million Rank (Macau) Limited (collectively referred to as "POKKA HK"), the Group has the following two reportable operating segments based on their brands and services:

(a) Xiao Nan Guo Business (including main brands: Shanghai Min, Maison De L'Hui and the dining room)

(b) POKKA HK Business (including main brands: POKKA Café and Tonkichi)

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/(losses) 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.

	Year ended 31 December 2015		
	Xiao Nan Guo	**POKKA HK**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue			
Sales to external customers	1,737,956	297,221	2,035,177
Revenue from continuing operations			2,035,177
Segment results	(75,418)	1,212	(74,206)
Reconciliation:			
Elimination of intersegment results			(281)
Dividend income from available-for-sale investments			2,652
Equity-settled share option expense			(5,500)
Interest income			3,797
Finance costs			(12,357)
Gain on disposal of a subsidiary			5
Corporate and other unallocated expenses			(8,069)
Loss before tax			(93,959)
Segment assets	770,919	472,521	1,243,440
Reconciliation:			
Elimination of intersegment receivables			(30,528)
Corporate and other unallocated assets			333,777
Total assets			1,546,689
Segment liabilities	379,564	75,783	455,347
Reconciliation:			
Elimination of intersegment payables			(30,528)
Corporate and other unallocated liabilities			350,988
Total liabilities			775,807
Other segment information:			
Depreciation and amortization	166,313	21,272	187,585
Capital expenditure*	141,905	176,810	318,715

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

Geographical information

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

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Mainland China	**1,438,888**	1,279,567
Hong Kong	**554,840**	235,946
Others	**41,449**	28,686
	2,035,177	1,544,199

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

(b) ***NON-CURRENT ASSETS***

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Mainland China	**615,418**	699,066
Hong Kong	**251,366**	54,659
Others	**1,588**	2,990
	868,372	756,715

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

Information about a major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014, no segment information is presented in accordance with IFRS 8 Operating Segments.

4. REVENUE, OTHER INCOME AND GAIN

Revenue, 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, other income and gains is as follows:

	For the year ended 31 December	
	2015	**2014**
	RMB'000	*RMB'000*
Revenue		
Restaurant operations	**2,021,115**	1,535,342
Other revenue	**14,062**	8,857
	2,035,177	1,544,199
Other income		
Government grants	**24,082**	33,250
Dividend income from available-for-sale investments	**2,652**	–
Membership fee income	**5,990**	–
Bank interest income	**3,797**	1,976
Management fee income	**4,836**	8,877
Service fee income	**1,350**	–
Others	**1,329**	2,513
	44,036	46,616
Gains		
Gain on disposal of a subsidiary	**5**	–
	44,041	46,616

5. (LOSS)/PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories consumed	**629,768**	509,272
Depreciation	**184,273**	126,184
Amortisation of intangible assets	**3,155**	1,294
Amortisation of other long-term assets	**157**	212
Minimum lease payments under operating lease on buildings	**367,868**	273,340
Auditors' remuneration	**3,109**	3,089
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**496,606**	354,978
Equity-settled share option expense	**5,500**	3,000
Defined contribution pension scheme	**118,178**	100,726
	620,284	458,704
Foreign exchange differences, net	**2,197**	578
Bank interest income	**(3,797)**	(1,976)
Loss on disposal of items of property and equipment	**9,931**	6,501
Loss on disposal of items of intangible assets	**343**	–
Impairment of property, plant and equipment	**66,743**	–
Gain on disposal of a subsidiary	**(5)**	–

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans	**12,766**	7,124
Less: Interest capitalised	**(409)**	(1,109)
	12,357	6,015

7. INCOME TAX EXPENSE

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current – Mainland China charged for the year	**13,537**	18,368
Current – Hong Kong and elsewhere charged for the year	**2,997**	2,398
Deferred tax	**(12,076)**	(13,681)
Total tax charge for the year	**4,458**	7,085

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

Hong Kong profits tax has been provided at the rate of 16.5% (2014:16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

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

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

According to the 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%.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Group and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	2015	2014
	RMB'000	*RMB'000*
(LOSS)/PROFIT BEFORE TAX	**(93,959)**	8,117
Tax at the statutory tax rate of 25% (2014: 25%)	**(23,490)**	2,029
Lower tax rate for specific provinces or enacted by local authority	**(719)**	(578)
Income not subject to tax	**(227)**	(400)
Expenses not deductible for tax	**3,664**	1,923
Tax loss not recognised during the year	**18,452**	4,111
Temporary differences not recognised during the year	**6,778**	–
	4,458	7,085

8. DIVIDENDS

No interim dividend was declared and no final dividend was proposed for 2015 and 2014.

The company holds 65% equity interest of Million Rank Limited, through its wholly-owned subsidiary Bright Charm. Million Rank Limited declared a distribution of HK$34,000,000 (equivalent to RMB28,485,200) to its shareholders on 20 March 2015.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amount for the year ended 31 December 2015 is based on the consolidated (loss)/profit attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 1,466,004,685 (2014: 1,465,593,392) in issue during the year.

The calculation of the diluted (loss)/earnings per share is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average 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 Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**(93,242)**	566

	Year ended 31 December	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *	**1,466,004,685**	1,465,593,392
Effect of dilution – weighted average number of ordinary shares**:		
Share options	**–**	–
Number of ordinary shares used in the diluted earnings per share calculation	**1,466,004,685**	1,465,593,392

* Not taking into account 7,500,000 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 year, there was no dilutive effect as of 31 December 2015 and 2014.

10. 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 ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 2015 31 December	As at 2014 31 December
	RMB'000	*RMB'000*
Within 1 month	**16,537**	12,224
1 to 2 months	**3,035**	2,548
2 to 3 months	**2,412**	1,163
Over 3 months	**3,693**	2,133
	25,677	18,068

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 2015 31 December *RMB'000*	As at 2014 31 December *RMB'000*
Deposits and other receivables	**75,072**	59,108
Prepaid expense	**29,525**	24,852
Amount due from companies owned by the controlling shareholder	**42,010**	53,923
Amount due from a director of major subsidiaries in Hong Kong	**243**	455
Current portion of other long-term receivable	**1,676**	–
Prepayments	**19,908**	37,355
	168,434	175,693

12. CASH AND CASH EQUIVALENTS

	As at 2015 31 December *RMB'000*	As at 2014 31 December *RMB'000*
Cash and bank balances	**143,521**	264,501
Time deposits with original maturity of less than three months	**45,503**	4,804
Time deposits with original maturity of over three months	**60,000**	–
	249,024	269,305
Less: Pledged time deposits for bank loans		
– Current portion of	**(20,000)**	–
– Non-current portion of	**(60,000)**	–
Cash and cash equivalents	**169,024**	269,305

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB202,801,000 (2014: RMB183,126,000). 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.

13. 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:

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Within 3 months	**116,019**	99,850
3 months to 1 year	**400**	1,112
Over 1 year	**1,470**	1,496
	117,889	102,458

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

14. OTHER PAYABLES AND ACCRUALS

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Payroll and welfare payables	**56,565**	37,910
Taxes other than corporate income tax	**11,091**	9,238
Other payables for construction in progress	**38,784**	50,198
Accruals and other payables	**78,004**	46,165
Current portion of the long-term defer payment	**1,676**	–
Advances from customers	**12,383**	6,997
	198,503	150,508

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

15. SHARE CAPITAL

Shares

	31 December 2015	31 December 2014
Authorised:		
Ordinary shares of HK$0.01 each	**10,000,000,000**	10,000,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each	**1,475,354,000**	1,478,826,000
Equivalent to RMB'000	**12,035**	12,062

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** *RMB'000*	**Share premium account** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Total** *RMB'000*
At 1 January 2014	1,476,880,000	12,047	473,301	–	485,348
Share options exercised	1,946,000	15	2,237	–	2,252
At 31 December 2014 and 1 January 2015	1,478,826,000	12,062	475,538	–	487,600
Share cancelled *(Note (a))*	(3,472,000)	(27)	(2,711)	27	(2,711)
At 31 December 2015	**1,475,354,000**	**12,035**	**472,827**	**27**	**484,889**

Note:

(a) The Company repurchased 3,472,000 shares of its stock on the Stock Exchange at an aggregate consideration of HK$3,436,000 (equivalent to RMB2,711,000). These shares were cancelled by the Company on 7 January 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW OF 2015

The catering industry experienced significant changes in 2015. On the one hand, the catering industry gradually bottomed out after the sluggish performance over the preceding two years. According to statistics issued by the National Bureau of Statistics of China, revenue of the catering industry in the PRC reached RMB3,231 billion for the year, representing a year-on-year increase of 11.7%, which was 1 percentage point higher than the growth rate of total retail sales of social consumer goods. The growth rate returned to double digits following dropping to single digit in 2013 and 2014. Again, the growth rate was higher than that of total retail sales of social consumer goods for the first time in five years since 2009. Revenue from catering sales enterprises above limit amounted to RMB866.7 billion in 2015, representing a year on year increase of 7% compared to the same period of last year and a rise of 3.8 percentage points over the previous year, which also marked a new three-year peak. On the other hand, we have seen tens of thousands of entrepreneurs ventured into the catering industry. According to the data of Dian Ping, in 2015, there were more than 50,000 restaurants newly opened in Beijing, Shanghai, Guangzhou and Shenzhen, which were the first-tier cities in the PRC. The figure represented an increase of more than 50%. The sharp increase in supply had led to a growing concern on the risks of closure of both traditional and new players in the catering industry in 2015.

As one of the largest multi-brand restaurant groups in the PRC and under the market conditions presenting challenges as well as opportunities, the Company will maintain its proactive and aggressive approach and adjust the strategic direction as appropriate, while focusing on the allocation of appropriate tactical resources. In 2016, in addition to the endeavour to improve income and earnings, the Company will also strive for becoming the leading industry player.

FINANCIAL PERFORMANCE FOR 2015

The Company's revenue for the year 2015 increased by 31.8% to RMB2,035.2 million from that of the same period last year, which was mainly attributable to the revenue from the new brand and restaurants newly opened and same-store revenue growth as well as the consolidation of revenue from POKKA HK acquired at the beginning of 2015. Gross profit for the year increased by 35.8% to RMB1,405.4 million, and the loss for the year was RMB98.4 million. The company shifted the strategy to the market trend, including reorganizing the stores in remote area and flattening management hierarchy, to optimise the resources allocation and improve operation and management efficiency, which also led to one-off expense of RMB100.3 million.

OPERATIONS REVIEW FOR 2015

Robust growth of principal business

During the year 2015, our principal OBM business (including the three brands, i.e. "Maison De L'Hui" restaurants, "Shanghai Min" restaurants and "The Dining Room" restaurants) recorded robust growth, with total sales increased by 9.3%, same-store sales increased by 1.9%, and the operating profit margin of the stores reaching 8.5% (2014: 6.7%), which was a testimony of the Company's operation and management ability under volatile market conditions.

These achievements were built on our pursuit of excellent quality and satisfaction from our customers. In the second half of 2015, the three brands launched the brand new grand menu with the aim of meeting the needs of various types of customers through more precise positioning. Meanwhile, we made great efforts to ensure the quality of our services. Deliberate training plans and index for assessment of customer satisfaction were developed, while feedbacks from customers were closely monitored. Day-to-day operation was adjusted in a timely manner to satisfy the demand of our customers. In addition, the Company launched the comprehensive reform on the incentive mechanism in the second half of 2015. Through the mechanism of sharing risks and rewards, the initiatives, creativities and sense of responsibility of the store management and staff were mobilised, which brought positive effects to product innovation, service improvement cost saving and quality assurance.

Mature of the layout under the multi-brand strategy

Since the launch of the multi-brand strategy in 2013, the Company has been dedicated to fostering and introducing various new catering concepts, which have gradually delivered results in 2015.

- **Japanese-styled western cuisines**: 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 year 2015, a Japanese styled restaurant and a French-Italian fusion restaurant were opened at Lan Kwai Fong, Hong Kong and Xintiandi, Shanghai, respectively. These Oreno (俺の) restaurants have become the hot spots of the town for their star-rating and value-for-money offerings since grand opening, and were popular among the consumers and the media.

- **American-styled western cuisines**: the Company also introduced a western restaurant, named after its legendary founder, Oscar Chef, aka “First Chef of California”, Mr. Wolfgang Puck. The first restaurant was opened at Xintiandi, Shanghai in the second half of 2015. The restaurant brand also obtained the appreciation from a theme park with international reputation, which will open later in Shanghai, and was granted the prime location in the small town, as the second restaurant in Mainland China operated by the Company.

- **American-styled theme restaurant**: 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 for the internationally renowned theme park which is scheduled to open in 2016 is now being conducted in full swing.

- **Mini-store brands**: in the second half of 2014, the Company began to enter into cooperation with third-party entrepreneurs for the operation of the tea house brand “Mai Chi Ling” which recorded rapid growth in 2015. As at 31 December 2015, 253 stores were granted licenses (of which 153 has commenced operation), covering 78 cities nationwide. All of these stores were extremely popular among consumers.

- **Acquired brand**: the Company completed the acquisition of 65% equity interest in POKKA HK at the beginning of 2015. The headquarter of the Company have preliminarily completed the connection with the system and management of POKKA HK. Now the Company is currently preparing for the development of coffee casual dining business in Mainland China.

Attached: main brands of the Company

OBM	上海小南国 SHANGHAI MIN	慧公馆	南小馆 the dining room
Introduced Brands	俺の株式会社 ORENO Corporation	WOLFGANG PUCK	THE BOATHOUSE SHANGHAI, CHINA
	米芝蓮 Mai Chi Ling	POKKA CAFÉ	とん吉 TONKICHI

The Company's founder led the team to initiate a second entrepreneurial plan

As at 31 December 2015, Ms. Wang Huimin, the Chairlady of the Board, assumed the office of Chief Executive Officer, leading the team to initiate a second entrepreneurial plan, and invited Ms. Zhu Xiaoxia to assume the office of Executive Director of the Company. Ms. Zhu Xiaoxia has made distinguished accomplishments in respect of chain catering group management and connection of catering industry with the Internet. In addition to further strategic development planning, under the leadership of Ms. Wang Huimin, the Company has also taken the following measures to improve its operation:

- **Focusing on core cities**: in order to fully utilize the Company's operation capabilities in core cities and improve the marginal efficiency of city management, the Company planned to strip away radius far stores, and reduce city under management from 22 to 16 at the end of 2015, and to improve operation and supply chain efficiency while optimizing the asset allocation, thus to realize the development of the Company in a way of more health and sustainable in a long term.

- **Promoting Structure adjustment of the Company**: the Company took an active approach of flattening and market-oriented reform for the management function of the headquarter, and confer more functions of the headquarters on the subsidiaries and stores, enabling the latter make faster response to the market demands and improving the satisfaction from clients according to the local condition, so as to enhance the profitability of the frontline operation units.

- **Promoting internal "entrepreneurial culture"**: the Company actively promoted the "entrepreneurial culture" and spun off some functions of the headquarters and provided support to talents to start up new business, with the aim of marketising and outsourcing the functions of the headquarters. This initiative not only alleviated the financial burden of the headquarters but also improved efficiency and boosted the potential of talents to acquire more external business.

STRATEGIC OUTLOOK FOR 2016

Looking ahead to 2016, under the leadership of Ms. Wang Huimin, the Company will be committed to the five major strategic frameworks, namely further focusing on the vertical penetration into the industry chain of the catering industry, deploying products at the terminal sales level, offline stores, integrating the platform resources in the industry chain, establishing comprehensive service platform for brand development of the industry and accomplishing the transformation to a group engaging in industry brand investment and operation. The Group proposed the following strategic pattern oriented with the above strategy:

- **Multi-brand Strategy**: in 2016, we continued to operate the existing business of each brand and enhance overall operational efficiency. Meanwhile, we will focus on brand investment, joint operation of brands, exploration of business opportunities and establishment of publication platform, for the purpose of increasing our brand influence and expanding the stores through cooperation in the industry.

- **Asset optimization strategy**: the Company will gradually dispose of conventional fixed assets with low competitive advantage; introduce in dynamic asset light model to optimize Company's balance sheet. And integrate strategic resources of the Company and the industry; further focus on brands/products that are lighter, with more technology/platform advantage and higher value-add. This can strengthen so as to strengthen Company's core competitive advantage in internet+ era. Besides, the Company will build up a comprehensive service platform for brand development.

- **Cost efficiency strategy**: we will fully utilize B2B supply chain platform in the industry to achieve direct procurement, reduce layers of distribution and to enhance food tracking system for safety purposes. These measures will help to reduce supply chain cost and improve product competitiveness. And we will continue to deepen company organization reform; reduce management layers to improve efficiency and optimize cost structure through market approach.

- **Human resources capitalization strategy**: we will continue to develop incentive system and introduce partnership mechanism to encourage value creation of talents. Promote a culture of internal entrepreneurship, establish different entrepreneur programs and empower talents by allowing more flexible corporate structure.

- **Product commercialization strategy**: we will develop multiple branded products leveraging on the Company's R&D capability and brand strength so as to improve monetization of the brands. Develop different channels including stores, hypermarkets as well as B2C, B2B channels by utilizing internet as a tool.

FINANCIAL REVIEW

For the year of 2015, the Group's revenue reached RMB2,035.2 million, representing an increase of RMB491.0 million or 31.8% compared to RMB1,544.2 million in 2014. Gross profit of the Group was RMB1,405.4 million, an increase of RMB370.5 million or 35.8% compared to approximately RMB1,034.9 million in 2014. For the year of 2015, loss of the Group amounted to RMB98.4 million, which was mainly due to the one-off expense arose from store re-organization and company restructure.

As at 31 December 2015, the Group operated the restaurant network of 81 Shanghai Min restaurants, 3 Maison De L'Hui restaurants, 22 the dining room restaurants, 2 restaurants under new-brand "Oreno", 1 Wolfgang Puck restaurant as well as 30 newly acquired restaurants under POKKA HK brands, which cover some of the most affluent and fastest-growing cities in China[1], Hong Kong and other region. The following table sets forth revenue and the number of restaurants in operation, by geographical region and brand for the years ended 31 December 2015 and 2014.

	31 December 2015		31 December 2014	
	Number of Restaurants[3]	**Revenue *RMB'000* (audited)**	Number of Restaurants	Revenue *RMB'000* (audited)
China[1]				
– Shanghai Min	**72**	**1,230,460**	72	1,150,412
– Maison De L'Hui	**3**	**60,075**	4	50,270
– The Dining Room	**16**	**113,687**	13	70,028
– Oreno	**1**	**11,668**		
– Wolfgang Puck	**1**	**8,936**		
Hong Kong				
– Shanghai Min	**8**	**172,829**	9	177,888
– The Dining Room	**5**	**72,884**	3	58,058
– Oreno	**1**	**25,878**		
– Brands under POKKA HK[4]	**29**	**283,250**		
Macau				
– Shanghai Min	**1**	**22,823**	1	27,872
– The Dining Room	**1**	**4,654**	1	814
– Brands under POKKA HK	**1**	**13,971**		
Total revenue of restaurant[2]	**139**	**2,021,115**	103	1,535,342
Other revenue		**14,062**		8,857
Total revenue		**2,035,177**		1,544,199

Notes

1. 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.

2. Total revenue of restaurant operations included revenue of restaurant operations and packaging products of restaurants.

3. The number of restaurants did not include "Mai Chi Ling" licensed stores.

4. POKKA HK brands included 30 stores under 10 brands such as Pokka Café and Tonkichi, etc., in Hong Kong and Macau.

REVENUE

Revenue of the Group increased by RMB491.0 million, or 31.8% from RMB1,544.2 million in 2014 to RMB2,035.2 million in 2015. This increase was contributed by an increase of RMB485.8 million in revenue from the restaurant operations and an increase of RMB5.2 million in other income.

Revenue from restaurant operations

Revenue from restaurant operations increased by RMB485.8 million, or 31.6%, from RMB1,535.3 million in 2014 to RMB2,021.1 million in 2015, among which:

An increase of RMB297.2 million in revenue was contributed by 30 restaurants under POKKA HK Brands acquired at the beginning of 2015;

An increase of RMB23.4 million, representing an increase of 1.9%, in comparable restaurants during 2015, as compared to 2014;

An increase of RMB208.7 million in revenue from new brands and restaurants (other than POKKA HK) that were newly opened in 2014 and 2015.

The closure, renovation, suspension of stores in 2014 and 2015 resulted in a decrease of RMB43.5 million in revenue.

Other revenue

Other revenue increased by RMB5.2 million from RMB8.9 million in 2014 to RMB14.1 million in 2015, which primarily reflected an increase of RMB2.2 million in Mai Chi Ling Licensing business during 2015.

COST OF SALES

Cost of sales increased by RMB120.5 million, or 23.7%, from RMB509.3 million in 2014 to RMB629.8 million in 2015, which was primarily due to an increase in quantities of food and beverages consumed in our operations.

Cost of sales as a percentage of the revenue decreased by 2.1%, from 33.0% in 2014 to 30.9% in 2015.

OTHER INCOME

Other income decreased by RMB2.6 million, from RMB46.6 million in 2014 to RMB44.0 million in 2015, primarily reflecting (i) a decrease of RMB9.2 million of government grants received in the year 2015 compared to 2014; (ii) a decrease of RMB4.0 million in management service fee income in 2015 as compared to 2014; (iii) an increase of RMB0.6 million in bank interest income and others in 2015 as compared to 2014; and (iv) an increase of RMB10.0 million in dividend income, membership fee income and service fee income newly added in 2015.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by RMB324.4 million, or 34.8%, from RMB931.9 million in 2014 to RMB1,256.3 million in 2015, of which the newly acquired POKKA HK incurred selling and distribution expenses of RMB203.0 million in 2015

Labor costs relating to the restaurants, central kitchens and central warehouses increased by RMB136.8 million, or 36.6%, from RMB373.6 million in 2014 to RMB510.4 million in 2015. Percentage of Labor cost to revenue increased from 24.2% in 2014 to 25.1% in 2015, which primarily reflected the higher Labor costs of the newly acquired POKKA HK.

Occupancy costs relating to restaurants, central kitchens and central warehouses increased by RMB91.9 million, or 34.4%, from RMB267.2 million in 2014 to RMB359.1 million in 2015. Occupancy costs as a percentage of revenue increased from 17.3% in 2014 to 17.6% in 2015, primarily reflected the higher occupancy costs in the newly acquired POKKA HK.

Depreciation and amortisation expenses relating to the restaurants, central kitchens and central warehouses increased by RMB34.7 million, or 28.6%, from RMB121.0 million in 2014 to RMB155.7 million in 2015. Depreciation and amortisation expenses as a percentage of revenue decreased from 7.8% in 2014 to 7.7% in 2015.

GENERAL AND ADMINISTRATIVE EXPENSES

Administrative expenses increased by RMB55.5 million, from RMB127.8 million in 2014 to RMB183.3 million in 2015, as a combined result of additional general and administration expenses of RMB29.0 million from newly acquired POKKA HK and the one-off expense of RMB8.2 million arising from company restructure.

INCOME TAX EXPENSE

Income tax expense decreased by RMB2.6 million, or 36.6%, from RMB7.1 million in 2014 to RMB4.5 million in 2015.

PROFIT FOR THE YEAR

As a result of the foregoing, the profit for the year decreased by RMB99.4 million from the profit of RMB1.0 million in 2014 to the loss of RMB98.4 million in 2015. Among which, an one-off expense of RMB100.3 million was arising from store re-organisation and company restructure.

DIVIDENDS PAYABLE

For the year ended 31 December 2015, the Group did not have any dividends payable. As at 31 December 2015, there is no dividend payable outstanding.

LIQUIDITY, FINANCIAL RESOURCES AND CASH FLOW

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

As at 31 December 2015, the Group's total interest-bearing bank loans were RMB334.3 million.

In 2015, the Group had net cash inflows from operating activities of RMB199.9 million (2014: RMB78.8 million). As at 31 December 2015, the Group had RMB169.0 million in cash and cash equivalents (31 December 2014: RMB269.3 million). The following table sets the certain information regarding the consolidated cash flows for the years ended 31 December 2015 and 2014:

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Net cash flows generated from operating activities	**199,917**	78,814
Net cash flows used in investing activities	**(286,955)**	(164,729)
Net cash flows (used in)/generated from financing activities	**(4,638)**	29,911
Net decrease in cash and cash equivalents	**(91,676)**	(56,004)
Cash and cash equivalents at the beginning of the year	**269,305**	324,499
Effect of foreign exchange rate, net	**(8,605)**	810
Cash and cash equivalents at the end of the year	**169,024**	269,305

OPERATING ACTIVITIES

In 2015, net cash inflow generated from operating activities was RMB199.9 million, representing an increase of RMB121.1 million from RMB78.8 million in 2014, which was primarily attributable to (i) the operating cash inflows before changes in working capital of RMB182.0 million (2014: RMB149.3 million); (ii) the operating cash inflow resulting from change of working capital of RMB38.0 million (2014: outflow of RMB49.3 million).

INVESTING ACTIVITIES

Net cash outflow used in investing activities was RMB287.0 million in 2015, representing an increase of RMB122.2 million compared to 2014. It was mainly due to the investment of RMB125.4 million for the acquisition of POKKA HK at the beginning of 2015.

FINANCING ACTIVITIES

In 2015, net cash outflow used in financing activities was RMB4.6 million, representing a decrease of RMB34.5 million as compared to cash inflow of RMB29.9 million in 2014..

FOREIGN CURRENCY EXPOSURE

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (to the extent that revenue or expenses are denominated in a currency that is different from the functional currency of the relevant subsidiaries of the Group). None of the Group's purchase during the year 2015 was denominated in currencies other than the functional currency of the relevant subsidiaries. The Group has minimal exposure to foreign exchange risk.

CONTINGENT LIABILITIES

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

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 3 to 12 years.

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

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Within one year	**261,650**	247,237
In the second to fifth years, both inclusive	**668,904**	694,581
After five years	**202,524**	283,368
	1,133,078	1,225,186

CAPITAL COMMITMENT

Capital commitments were approximately RMB76.5 million and RMB247.5 million as at 31 December 2015 and 31 December 2014, respectively.

HUMAN RESOURCES

The salary level of employees in the restaurant industry has been generally increasing in recent years. Employee attrition levels tend to be higher in the food services industry than in other industries. The Group offers competitive wages and other benefits to the restaurant employees to manage employee attrition. As at 31 December 2015, the Group recruited about 5,302 employees in China, Hong Kong and Macau. During 2015, total staff cost was RMB620.3 million, representing 30.5% of the revenue (2014: RMB458.7 million, 29.7% of the revenue).

SUBSEQUENT EVENTS

Since 31 December 2015 to the date of this announcement, there was no important events affecting the Group.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlements of the shareholders to attend the forthcoming annual general meeting to be held on 2 June 2016, the register of members of the Company will be closed between 31 May 2016 and 2 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend the forthcoming annual general meeting, all share transfers, being accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 30 May 2016.

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 on the Stock Exchange (the "**Listing Rules**") as its own corporate governance code. During the year ended 31 December 2015, save as disclosed in this announcement, the Company has complied with all applicable code provisions under the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. At present, the roles of the chairman and the chief executive officer of the Company are performed by Ms. Wang Huimin as a result of the change of management members. The Board considers that this structure does not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high-quality individuals and meets regularly to discuss issues relating to the operations of the Company. The Board has full confidence in Ms. Wang Huimin and believes that having Ms. Wang Huimin performing the roles of the chairman and the chief executive officer enables the Group to make and implement decisions promptly and efficiently which is beneficial to the Company as a whole. The Company will seek to re-comply with code provision A.2.1 by identifying and appointing a suitable and qualified candidate to the position of the chief executive officer in the future.

As at 4 June 2015, following the retirements of Mr. Tsang Henry Yuk Wong and Mr. Wang Yu as independent non-executive Directors, the Company was unable to fulfil (i) Rule 3.10(1) of the Listing Rules which requires the Board to have at least three independent non-executive directors; (ii) Rule 3.10A which requires the number of independent non-executive directors to be at least one-third of the Board; (iii) Rule 3.21 which requires the Audit Committee to have at least one member to be an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2); and (iv) Rule 3.25 which requires the majority of the Remuneration Committee to be independent non-executive directors. Following the appointment of Dr. Wu Chun Wah as an independent non-executive Director on 4 June 2015 and chairman of the Remuneration Committee on 18 August 2015, and Mr. Lui Wai Ming as an independent non-executive Director and the chairman of the Audit Committee on 18 August 2015, the Company has re-complied with the above Listing Rules.

As at 31 December 2015, following the resignation of Mr. Wang Chiwei, one of the independent non-executive Directors, the Company was unable to fulfil (i) Rule 3.10(1) of the Listing Rules which requires the Board to have at least three independent non-executive Directors; (ii) Rule 3.10A which requires the number of independent non-executive Directors to be at least one-third of the Board; (iii) Rule 3.25 which requires the majority of the Remuneration Committee to be independent non-executive Directors; and (iv) code provision A.5.1 of the CG Code which requires the majority of the Nomination Committee to be independent non-executive Directors. Following the appointment of Mr. Lin Lijun as an independent non-executive of Director, and a member of the Remuneration Committee and the Nomination Committee of the Company on 23 March 2016, the Company has re-complied with the above Listing Rules and CG Code.

Pursuant to code provision A.6.7 of CG Code, all non-executive directors of the Company should attend the general meeting of the Company. Other than Ms. WANG Huili, Mr. WANG Hairong and Mr. WENG Xiangwei who did not attend the annual general meeting of the Company held on 4 June 2015 ("**AGM**") due to other business engagements arranged in advance, other non-executive directors (including independent non-executive directors) of the Company attended the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard of dealings set out in the Model Code throughout the year ended 31 December 2015.

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

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The Audit Committee has discussed with the management of the Company the internal control and financial reporting matters related to the preparation of the consolidated financial statements for the year ended 31 December 2015.

The Audit Committee has also reviewed the Group's consolidated financial statements for the year ended 31 December 2015. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory provisions, and sufficient disclosures have already been made.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND THE 2015 ANNUAL REPORT ON THE STOCK EXCHANGE'S AND THE COMPANY'S WEBSITE

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xiaonanguo.com), and the Company's 2015 Annual Report which contains all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Shanghai, China, 23 March 2016

As at the date of this announcement, the executive directors of the Company are Ms. WANG Huimin, Ms. WU Wen and Ms. ZHU Xiaoxia; 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 Dr. WU Chun Wah, Mr. LUI Wai Ming and Mr, Lin Lijun.