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唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1181)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2011

The board (the "**Board**") of Directors (the "**Directors**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2011 (the "**Period**"), together with the comparative figures for the six months ended June 30, 2010.

This unaudited condensed consolidated interim results has not been audited, but has been reviewed by the Board's audit committee ("**Audit Committee**").

FINANCIAL HIGHLIGHTS

	Six months ended June 30, 2011 (unaudited) *RMB'000*	2010 (unaudited) *RMB'000*	Increase/ (Decrease)
Revenue	**369,328**	273,561	35.0%
Operating profit[1]	**210,038**	159,518	31.7%
Profit and total comprehensive income for the period			
– before listing and related expenses	**23,913**	23,309	2.6%
– after listing and related expenses	**10,515**	23,309	(54.9%)

	As at June 30, 2011	As at December 31, 2010	
Total assets	**402,768**	272,367	47.9%
Net current assets	**193,828**	24,692	685.0%
Net assets	**302,307**	138,244	118.7%
Cash and cash equivalents	**257,688**	126,902	103.1%
Operating margin[2]	**56.9%**	58.3%	
Gearing ratio[3]	**–**	15.1%	
Current ratio[4]	**3.0**	1.2	

Note:

(1) The calculation of operating profit is based on the revenue minus cost of inventories consumed.

(2) The calculation of operating margin is based on revenue less cost of inventories consumed, divided by revenue and multiplied by 100%.

(3) The calculation of gearing ratio is based on the total bank borrowing divided by total assets multiplied by 100%.

(4) The calculation of current ratio is based on current assets divided by current liabilities.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2011

		Six months ended June 30,	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**369,328**	273,561
Other gains and losses		**4,140**	4,648
Cost of inventories consumed		**(159,290)**	(114,043)
Staff cost		**(89,293)**	(60,043)
Depreciation of property, plant and equipment		**(14,081)**	(12,982)
Utilities and consumables		**(20,199)**	(15,383)
Rental and related expenses		**(28,264)**	(18,984)
Finance costs		**(757)**	–
Listing and related expenses		**(13,398)**	–
Other expenses		**(23,797)**	(23,518)
Profit before tax	*4*	**24,389**	33,256
Income tax expense	*5*	**(13,874)**	(9,947)
Profit and total comprehensive income for the period		**10,515**	23,309
Profit and total comprehensive income for the period attributable to: Owners of the Company		**10,515**	23,309
Earnings per share	*7*		
– basic (RMB cents)		**3.04**	7.77
– diluted (RMB cents)		**3.03**	7.77

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2011

	Notes	As at June 30, 2011 RMB'000 (unaudited)	As at December 31, 2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**88,533**	94,857
Intangible asset		**7,220**	7,792
Rental deposits		**13,181**	11,358
Deferred tax assets		**947**	947
		109,881	114,954
Current assets			
Inventories		**14,217**	12,773
Trade and other receivables	*8*	**20,982**	17,273
Amount due from related parties		**–**	465
Bank and cash balances		**257,688**	126,902
		292,887	157,413
Current liabilities			
Trade and other payables	*9*	**88,874**	85,098
Amount due to related parties		**–**	263
Bank loans	*10*	**–**	41,019
Tax payable		**10,185**	6,341
		99,059	132,721
NET CURRENT ASSETS		**193,828**	24,692
		303,709	139,646
Capital and reserves			
Paid-in capital/share capital	*11*	**34,853**	338
Reserves		**267,454**	137,906
Equity attributable to owners of the Company		**302,307**	138,244
		302,307	138,244
Non-current liabilities			
Deferred tax liabilities		**1,402**	1,402
		303,709	139,646

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

1. GROUP REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on March 11, 2010 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from April 19, 2011 (the "**Listing Date**").

Pursuant to a group reorganisation (the "**Group Reorganisation**") to rationalise the structure of the Company and its subsidiaries (collectively, the "**Group**") in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on March 25, 2011. Details of the Group Reorganisation were set out in the prospectus issued by the Company dated April 7, 2011 (the "**Prospectus**").

The condensed consolidated statement of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated cash flow statements are prepared as if the current group structure had been in existence throughout the six-month period ended June 30, 2010 and 2011 or since the respective dates of incorporation/establishment of the relevant entity, where this is a shorter period. The condensed consolidated statement of financial position as at June 30, 2011 presents the assets and liabilities of the companies now comprising the Group which had been incorporated/established as at the balance sheet date as if the current group structure had been in existence at that date.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "**Interim Financial Reporting**" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements for the six months ended June 30, 2011 are the same as those followed in the preparation of the Group's financial information for the year ended December 31, 2010 except as described below.

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to other reserve (capital reserve). When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

In the Period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("**new HKFRSs**") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosure
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but not yet effective:

HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefit[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after July 1, 2012.
[2] Effective for annual periods beginning on or after January 1, 2013.

The Directors anticipate that the application of these new or revised standards, amendments or interpretations that have been issued but not yet effective will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

	Six months ended June 30,	
	2011	2010
	RMB'000	*RMB$'000*
Gross revenue	**391,374**	288,412
Less: sales related tax	**(22,046)**	(14,851)
	369,328	273,561

Segment revenues and results

The Directors assess the performance of the operating segments based on geographical location of the Group's restaurants.

The following is an analysis of the Group's revenue and results by operating segments:

Six months ended June 30, 2011

	Southern China *RMB'000*	**Eastern China** *RMB'000*	**Northern China** *RMB'000*	**Eliminations** *RMB'000*	**Total** *RMB'000*
REVENUE					
External sales	**66,287**	**173,114**	**129,927**	**–**	**369,328**
Inter-segment sales	**–**	**13,165**	**–**	**(13,165)**	**–**
Total	**66,287**	**186,279**	**129,927**	**(13,165)**	**369,328**
RESULTS					
Segment results	**2,047**	**10,807**	**14,842**	**–**	**27,696**
Unallocated corporate expenses					**(3,307)**
Profit before tax					**24,389**

Six months ended June 30, 2010

	Southern China *RMB'000*	Eastern China *RMB'000*	Northern China *RMB'000*	Eliminations *RMB'000*	Total *RMB'000*
REVENUE					
External sales	60,435	107,299	105,827	–	273,561
Inter-segment sales	–	11,270	–	(11,270)	–
Total	60,435	118,569	105,827	(11,270)	273,561
RESULTS					
Segment result	4,140	5,541	25,157	–	34,838
Unallocated corporate expenses					(1,582)
Profit before tax					33,256

Other information:

Six months ended June 30, 2011

	Southern China *RMB'000*	**Eastern China** *RMB'000*	**Northern China** *RMB'000*	**Total** *RMB'000*
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	**3,674**	**5,769**	**4,638**	**14,081**

Six months ended June 30, 2010

	Southern China *RMB'000*	Eastern China *RMB'000*	Northern China *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	3,887	6,044	3,051	12,982
Loss on disposal of property, plant and equipment	38	–	–	38

Segment profit represents the profit earned by each segment without allocation of the expenses incurred by the Group's head office. This is the measure reported to the chief operating decision marker for the purpose of resource allocation and performance assessment.

4. PROFIT BEFORE TAX

	Six months ended June 30,	
	2011 *RMB'000*	2010 *RMB'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**1,814**	1,775
Other staff costs	**82,617**	53,493
Retirement benefit scheme contribution, excluding those of Directors	**4,862**	4,775
Total staff costs	**89,293**	60,043
Loss on disposal of property, plant and equipment	**–**	38
Depreciation of property, plant and equipment	**14,081**	12,982
Amortisation of intangible asset	**572**	51

5. INCOME TAX EXPENSE

	Six months ended June 30,	
	2011	2010
	RMB'000	*RMB'000*
Enterprise income tax in the Mainland China ("**PRC**")		
Current tax	**13,874**	10,248
Deferred tax	**–**	(301)
	13,874	9,947

Hong Kong

No provision for taxation has been made as the Group's income neither arises nor derived from Hong Kong.

PRC

The statutory tax rate for all subsidiaries in PRC was 25% for the six months ended June 30, 2011. Under the New Law, Implementation Regulation, and tax circulars, tax rate applicable to three subsidiaries of the Group was 24% for the six months ended June 30, 2011 (2010: 22%).

6. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended June 30, 2011 (six months ended June 30, 2010: approximately RMB24,475,000 *(note)*).

Note: The amount of approximately RMB24,475,000 represents dividends paid by the companies comprising the Group to their then shareholders prior to the Group Reorganisation. The rates of dividend and the number of shares ranking for dividends were not presented as such information was not meaningful.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended June 30,	
	2011	2010
	RMB'000	*RMB'000*
Earnings for the purposes of basic and diluted earnings per share Profit for the period attributable to owners of the Company	**10,515**	23,309
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	**345,801,105**	300,000,000
Effect of dilutive potential ordinary shares in respect of share options	**1,512,806**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**347,313,911**	300,000,000

8. TRADE AND OTHER RECEIVABLES

The Group does not allow credit period for sales from operation of restaurant, except for certain well established, corporate customers for which the credit periods are ranging from 30 to 80 days. The following is an analysis of trade receivables by ages, presented based on the invoice date:

	As at June 30, 2011 *RMB'000*	As at December 31, 2010 *RMB'000*
0 – 30 days	**7,433**	5,391
31 – 60 days	**1,003**	807
61 – 90 days	**497**	571
Over 90 days	**645**	903
	9,578	7,672
Other receivables:		
Prepayments	**7,894**	8,298
Others	**3,510**	1,303
Total trade and other receivables	**20,982**	17,273

9. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date:

	As at June 30, 2011 *RMB'000*	As at December 31, 2010 *RMB'000*
0 – 30 days	**23,267**	24,377
31 – 60 days	**1,606**	2,349
61 – 90 days	**508**	388
91 – 180 days	**816**	934
Over 180 days	**1,094**	719
	27,291	28,767
Other payables:		
Other payables and accruals	**42,257**	37,929
Receipts in advance	**19,326**	18,402
Dividend payable	**–**	–
Total trade and other payables	**88,874**	85,098

10. BANK LOANS

For the six months ended June 30, 2011, the Group repaid bank loans in the amount of RMB41,019,000. The bank loans bear interest at prevailing market rate.

11. PAID-IN-CAPITAL/SHARE CAPITAL

	Notes	**Number of shares**	**Share Capital** *(HK$'000)*
Ordinary shares of HK$0.10 each			
Authorised:			
As at date of incorporation	*(i)*	2,000,000	HK$200
Increase in authorised share capital on April 19, 2011	*(ii)*	1,998,000,000	HK$199,800
As at June 30, 2011		2,000,000,000	HK$200,000
Issued and fully paid:			
As at December 31, 2010		1	HK$0.1 (nil paid)
Issue of shares pursuant to the Group Reorganisation on March 25, 2011	*(ii)*	1,999,999	HK$200
Issue of shares pursuant to the capitalisation issue on April 19, 2011		298,000,000	HK$29,800
Issue of shares pursuant to the global offering on April 19, 2011		100,000,000	HK$10,000
Issue of shares on over-allotment on April 26, 2011		15,000,000	HK$1,500
As at June 30, 2011		415,000,000	HK$41,500
Equivalent to RMB *(RMB'000)*			RMB34,853

(i) The Company was incorporated on March 11, 2010 and the authorised share capital was HK$200,000 divided into 2,000,000 Shares of HK$0.10 each. As at the date of incorporation, one Share was allotted and issued.

(ii) Pursuant to the written resolution passed on March 25, 2011, the authorized share capital of the Company was increased from HK$200,000 to HK$200 million, divided into 2,000 million Shares, by the creation of additional Shares of 1,998 million of HK$0.10 each. On the same day, an aggregate of 1,999,999 Shares of HK$0.1 each was allotted and issued, and one nil paid Share then in issue was credited as fully paid as part of the Group Reorganisation.

The share capital at December 31, 2010 in the condensed consolidated statement of financial position represented the aggregate share capital of the Company and China Tang Palace F&B Enterprise Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended June 30, 2011, the Group achieved a revenue of approximately RMB369.3 million, showing an increase of approximately 35.0%, as compared to approximately RMB273.6 million for the six months ended June 30, 2010. Operating margin decreased by approximately 1.4%, from 58.3% for the first half of 2010 to 56.9% for the first half of 2011, which was due to the increase in cost of inventories consumed under the inflationary pressure of food ingredients. Before the recognition of approximately RMB13.4 million as listing and related expenses for the Period (six months ended June 30, 2010: nil), profit and total comprehensive income for the period amounted to approximately RMB23.9 million, showing a slight increase of 2.6%, as compared to approximately RMB23.3 million for the first half of 2010. Profit and total comprehensive income for the Period, net of listing and related expenses, became RMB10.5 million approximately Period, showing a decline of 54.9%, as compared to approximately RMB23.3 million for the same period in 2010. Basic earnings per share for the Period was approximately RMB3.04 cents, as compared to RMB7.77 cents for the first half of 2010.

As at June 30, 2011, we operated 24 restaurants in Beijing, Shanghai, Shenzhen, Dongguan, Suzhou and Hangzhou and one food plant in Shanghai ("**Shanghai Food Plant**"), which was primarily established to provide food production services to our restaurants. We believe the planned expansion of our restaurant network is an appropriate response to the demand for our products and services and the expected growth in our business. We will continue to focus on our core business by increasing the number of restaurants to achieve overall revenue growth. Sales and operations of our restaurants have been and will continue to be affected by our product mix and restaurant network expansion. The table below illustrates how our revenue has grown as a result of an increase in the number of restaurants owned and managed by us:

	Six months ended June 30,	
	2011	2010
	(unaudited)	(unaudited)
Revenue from operation of restaurants (RMB in millions)(1)	**369.1**	273.6
Average daily revenue from operation of restaurants (RMB in millions)(1)(2)	**2.0**	1.7
Number of restaurants owned and managed by us at period end(1)		
– Chinese restaurants	**19**	16
– Fast food restaurants (i.e. "**Pepper Lunch**" restaurant)	**4**	1
– Japanese restaurants	**1**	1
	24	18

Notes:

(1) The number of restaurants excluded Shanghai Food Plant. For the six months ended June 30, 2010 and 2011, revenue generated by Shanghai Food Plant amounted to nil and approximately RMB256,000, respectively.

(2) Calculated based on the actual number of days of operations in respective periods.

The table below illustrates the number of restaurants, average spending per customer, and percentage of revenue contributed to the Group of each of our restaurants by brand:

Brand	**No. of restaurants for the six months ended June 30,**		**Average spending per customer for the six months ended June 30,**		**Percentage of revenue contributed to the Group for the six months ended June 30,**	
	2011	2010	**2011**	2010	**2011**	2010
			RMB	*RMB*		
Tang Palace Seafood Restaurant (唐宮海鮮舫)	**12**	10	**150.12**	148.96	**68.0%**	65.5%
Tang's Cuisine (唐宮壹號)	**2**	2	**303.66**	287.86	**10.5%**	8.7%
Excellent Tang Palace (盛世唐宮)	**2**	2	**83.38**	83.89	**9.0%**	11.2%
Tang Palace Restaurant (唐宮膳)	**2**	2	**100.50**	90.89	**10.0%**	13.0%
Tanggong Jiangnan Cuisine (唐宮江南一號)	**1**	-	**45.90**	-	**0.8%**	-
Ninja House Japanese Restaurant (忍者居日本料理)	**1**	1	**63.05**	46.52	**0.9%**	1.5%
Pepper Lunch (胡椒廚房)	**4**	1	**56.71**	35.58	**0.8%**	0.1%
Total	**24**	**18**	**135.13**	**127.80**	**100%**	**100%**

We are operating our restaurants under seven brands and targeting at different customer groups and dining experience. Compared to the first half of 2010, the overall average spending per customer during the Period was improved primarily due to the price adjustment of our menus, particularly under the brand of Tang's Cuisine and Pepper Lunch.

Outlook and prospect

To continuously boost our Group's revenue growth and diversify income source in different catering businesses, we will continue to expand our restaurant network by opening new Chinese restaurants, Japanese restaurants and the fast food restaurants such as Pepper Lunch in coming years. Coping with our future development plan and targeting high end spending class customers and business customers, we plan to cooperate with more well known hotels to operate our restaurants in order to enhance our brand reputation. The Group's strategy is to continue establishing market presence in the first and second tier cities. One Chinese restaurant, one Japanese restaurant and five fast food restaurants will be opened in Beijing, Shanghai and Tianjin in the second half of 2011. In light of the steady growth in average spending per customer and the increasing brand recognition of Tang's Cuisine and our fast food brand, Pepper Lunch, more efforts will be devoted in these brands in the expansion of our network.

We plan to enhance our marketing activities through internet advertising and other promotion campaigns, such as wedding expo. Apart from wedding banquets, we also plan to create special menus to cater for graduation dinners, full moon feasts, seafood festival dinners, and take-away banquet delivery in order to improve the Group's revenue during low season. All of these will facilitate more pre-booking orders in order for us to better estimate our demand on food ingredient which could further enhance our current centralised procurement system to promote efficiency in our purchasing and food-producing process, lowering our overall cost of goods consumed.

In the Period, we obtained awards and certifications in respect of our food, services and management. The following table sets forth our recent awards and certifications:

Award	**Awarding and Issuing Authority**	**Industry**
2010 National Top 100 Catering Services Award (2010年度中國餐飲百強企業)	China Cuisine Association (中國烹飪協會)	Food & Beverage
ERS 5S Management Model Shop (源全5S管理樣板店)	Hong Kong Environmental Resources and Safety Institute (香港環境資源及安全學會)	All Industries
Modern Weekly Best Restaurants Selection 2010 (2010年度最佳潮粵菜餐廳獎)	Modern Weekly International (周末畫報)	Food & Beverage

We will continuously maintain and keep improving our food quality, hygiene of our food products and the standard of services as those are the key factors to ensuring our success in the restaurant industry.

The consumer price index (CPI), measuring changes in the price level of consumer goods and services purchased by households, in the PRC is estimated to come to a peak in July or August, 2011. It indicates that the inflation pressure will be eased in the second half of 2011. As such, the general price increase in food ingredients and staff wage may come to at least a temporary halt in second half of 2011, which will expectedly maintain our operating profit as well as decrease our operating costs. Besides, the individual income tax in the PRC announced to make certain relief in July, 2011, is likely to boost the spending power of many PRC individuals and escalates our revenue growth in the near future.

Financial review

Revenue

The Group's revenue increased by approximately RMB95.7 million, or by approximately 35.0%, from approximately RMB273.6 million for the six months ended June 30, 2010 to approximately RMB369.3 million for the six months ended June 30, 2011, which was mainly attributable to the revenue growth of existing restaurants and the opening of additional six restaurants, including three Chinese restaurants and three fast food restaurants. Revenue from Northern China increased by approximately RMB24.1 million, or by approximately 22.8%, from approximately RMB105.8 million for the six months ended June 30, 2010 to approximately RMB129.9 million for the Period. Revenue from Eastern China increased by approximately RMB65.8 million, or by approximately 61.3%, from approximately RMB107.3 million in the first half of 2010 to approximately RMB173.1 million for the Period. Revenue from Southern China increased by approximately RMB5.9 million, or by approximately 9.8%, from approximately RMB60.4 million in the first half of 2010 to approximately RMB66.3 million for the Period.

Other gains and losses

Other gains and losses decreased by approximately RMB0.5 million, or by approximately 10.9%, from approximately RMB4.6 million for the six months ended June 30, 2010 to approximately RMB4.1 million for the Period. Such decrease was mainly due to the decrease in tax incentives from local government authorities by approximately RMB513,000.

Cost of inventories consumed

Cost of inventories consumed increased by approximately RMB45.3 million, or by approximately 39.7%, from approximately RMB114.0 million for the six months ended June 30, 2010 to approximately RMB159.3 million for the Period, primarily due to the increase in food consumption in our restaurants. The increase was arising from (i) the growth in our revenue from existing restaurants, (ii) the opening of six new restaurants, and (iii) the full period operation of three restaurants during the Period. As a percentage of our revenue, cost of inventories consumed increased from approximately 41.7% for the six months ended June 30, 2010 to approximately 43.1% for the Period, as a result of accelerated inflationary pressure of food ingredients in the Period.

Staff cost

Staff cost increased by approximately RMB29.3 million, or by approximately 48.7%, from approximately RMB60.0 million for the six months ended June 30, 2010 to approximately RMB89.3 million for the Period. The increase in staff cost was primarily due to an overall increase in the level of salaries and other employee benefits to retain experienced staff under the inflation environment in the Period, as well as increase in staff force resulted from the opening of new restaurants. As a percentage of our revenue, staff cost increased from approximately 21.9% for the six months ended June 30, 2010 to approximately 24.2% for the Period.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately RMB1.1 million, or by approximately 8.5%, from approximately RMB13.0 million for the six months ended June 30, 2010 to approximately RMB14.1 million for the Period. The increase mainly represented depreciation expenses incurred in connection with certain equipment and fixed assets acquired for our new restaurants during the Period.

Utilities and consumables

Utilities and consumables increased by approximately RMB4.8 million, or approximately 31.2%, from approximately RMB15.4 million for the six months ended June 30, 2010 to approximately RMB20.2 million for the Period. As a percentage of revenue, utilities and consumables decreased from approximately 5.6% for the six months ended June 30, 2010 to approximately 5.5% for the Period.

Rental and related expenses

Rental and related expenses increased by approximately RMB9.3 million, or approximately by 48.9%, from approximately RMB19.0 million for the six months ended June 30, 2010 to approximately RMB28.3 million for the Period. The increase was mainly attributable to the opening of six new restaurants, the full period operation of three restaurants, and an overall increase in rental for certain restaurants during the Period.

Other expenses

Other expenses, mainly comprising professional fees, sales and marketing expenses, administrative expenses, donations, bank charges and miscellaneous expenses, amounted to approximately RMB23.8 million for the Period compared to approximately RMB23.5 million for the six months ended June 30, 2010, which remained relatively stable.

Income tax expense

Income tax expense increased by approximately RMB4.0 million, or by approximately 40.4%, from approximately RMB9.9 million for the six months ended June 30, 2010 to approximately RMB13.9 million for the Period, mainly due to the recognition of approximately RMB13.4 million of one-off non-deductible listing and related expenses for the Period (six months ended June 30, 2010: nil). The Group's effective income tax rate increased from approximately 29.9% for the six months ended June 30, 2010 to approximately 57.0% for the Period.

Profit and total comprehensive income for the period

The Group's profit and total comprehensive income for the Period decreased by approximately RMB12.8 million, or by approximately 54.9%, from approximately RMB23.3 million for the six months ended June 30, 2010 to approximately RMB10.5 million for the Period, mainly due to listing and related expenses of approximately RMB13.4 million incurred in the Period upon the Company's shares successfully listed in April, 2011.

Cash flow

Cash and cash equivalents increased by approximately RMB130.8 million from approximately RMB126.9 million as at December 31, 2010 to approximately RMB257.7 million as at June 30, 2011.

Net cash of approximately RMB26.1 million was generated in operating activities for the Period. Net cash used in investing activities amounted to approximately RMB6.8 million for the Period, of which approximately RMB7.8 million related to the purchase of property, plant and equipment for opening new restaurants.

Net cash provided by financing activities was approximately RMB111.5 million for the Period, comprising principally the gross proceeds of approximately RMB153.0 million from the issue of new ordinary shares ("**Shares**") of HK$0.10 each in the capital of the Company's initial public offering (the "**IPO**") in April 2011, offset by the repayment of bank loans of approximately RMB41.0 million.

Liquidity and financial resources

The Group's funding and treasury activities are managed and controlled by the senior management. Historically, the Group funded its liquidity and capital requirements principally through cash inflow from operating activities, and shareholders' financing as well as bank borrowings. Following the Company's IPO in April 2011, the Group funds its liquidity and capital requirements by the net proceeds from IPO as well as internal resources.

The Group maintained cash and bank balances of approximately RMB257.7 million as at June 30, 2011 (as at December 31, 2010: RMB126.9 million). As at June 30, 2011, the Group's total assets, net current assets and net assets were approximately RMB402.8 million (as at December 31, 2010: approximately RMB272.4 million), approximately RMB193.8 million (as at December 31, 2010: approximately RMB24.7 million) and approximately RMB302.3 million (as at December 31, 2010: approximately RMB138.2 million), respectively.

As at June 30, 2011, the Group's had no bank borrowings (as at December 31, 2010: approximately RMB41.0 million). The gearing ratio (total bank borrowing divided by total assets multiplied by 100%) was nil as at June 30, 2011 (as at December 31, 2010: approximately 15.1%)

As at June 30, 2011, the current ratio (current assets divided by current liabilities) was 3.0 (as at December 31, 2010: 1.2).

The Directors are of the opinion that the Group has sufficient working capital for the Group's operations and expansion in the near future.

Foreign currency exposure

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. The Group's cash and bank deposits, including net proceeds from the Company's IPO, were denominated mainly in RMB, with some denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group.

As at June 30, 2011, the Directors considered the Group's foreign exchange risk to be insignificant. During the Period, the Group did not use any financial instruments for hedging purposes.

OTHER INFORMATION

Audit Committee

The Audit Committee of the Company has reviewed the unaudited interim results and interim report of the Group for the Period.

Corporate Governance

The Code on Corporate Governance Practices (the "**Corporate Governance Code**") as set forth in Appendix 14 of the Listing Rules has only become applicable to the Company since the listing of the Company's shares on the Stock Exchange on April 19, 2011. The Company and the Board had complied with the Corporate Governance Code during the period from the Listing Date up to June 30, 2011.

Model Code For Securities Transactions By Directors of Listed Issuers ("the Model Code")

The Company has adopted its own code for securities transactions by Directors on terms no less exacting than those set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries to all the Directors and all the Directors confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing Date up to June 30, 2011.

Contingent Liabilities

As at June 30, 2011, the Group did not have any material contingent liabilities.

Number and Remuneration of Employees

As at June 30, 2011, the Group had approximately 3,600 full time employees in Hong Kong and the PRC. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for expansion of new restaurants. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related bonus.

Purchase, Sale or Redemption of Listed Securities

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Publication of Interim Results and Interim Report

The interim results announcement is published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.tanggong.cn).

The interim report of the Group, containing the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

Appreciation

The Board would like to thank the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group throughout the period.

By Order of the Board
Tang Palace (China) Holdings Limited
Yip Shu Ming
Chairman and Executive Director

Hong Kong, August 19, 2011

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:	*Mr Yip Shu Ming, Mr Chan Man Wai, Mr Ku Hok Chiu, Ms Weng Peihe*
Independent non-executive Directors:	*Mr Cheung, Kin Ting Alfred, Mr Kwong Chi Keung, Mr Kwong Ping Man*