



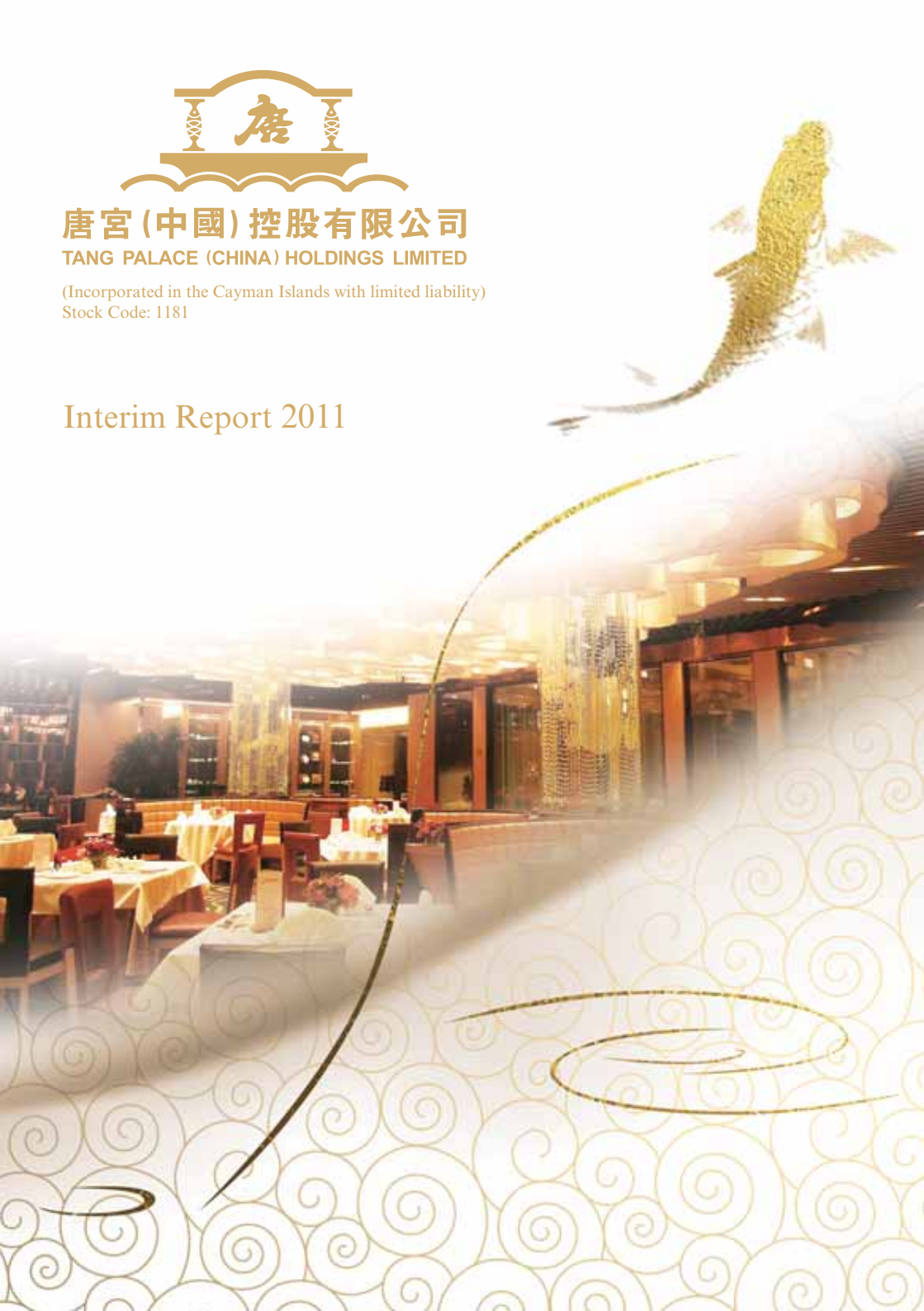
唐宮(中國)控股有限公司

TANG PALACE (CHINA) HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1181

Interim Report 2011



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# Corporate Information

## Directors

### Executive Directors

Mr. Yip Shu Ming (*Chairman*)  
Mr. Chan Man Wai (*Vice-Chairman*)  
Mr. Ku Hok Chiu  
Ms. Weng Peihe

### Independent Non-Executive Directors

Mr. Kwong Chi Keung  
Mr. Kwong Ping Man  
Mr. Cheung, Kin Ting Alfred

## Company Secretary

Mr. Leung Wai Chuen, *FCCA, ACIS*

## Authorised Representatives

Mr. Chan Man Wai  
Mr. Leung Wai Chuen, *FCCA, ACIS*

## Members of Audit Committee

Mr. Kwong Ping Man (*Chairman*)  
Mr. Kwong Chi Keung  
Mr. Cheung, Kin Ting Alfred

## Members of Nomination Committee

Mr. Cheung, Kin Ting Alfred (*Chairman*)  
Mr. Kwong Ping Man  
Mr. Kwong Chi Keung

## Members of Remuneration Committee

Mr. Kwong Chi Keung (*Chairman*)  
Mr. Cheung, Kin Ting Alfred  
Mr. Kwong Ping Man

## Registered Office

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Head Office and Principal Place of Business in Hong Kong

Unit 3, 10th Floor  
Greenfield Tower  
Concordia Plaza  
No. 1 Science Museum Road  
Kowloon  
Hong Kong

## Cayman Islands Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## Principal Bankers

Bank of China (Hong Kong)  
Wing Hang Bank  
Industrial and Commercial Bank of China,  
Huacheng Branch

## Auditors

Deloitte Touche Tohmatsu  
Certified Public Accountants

## Legal Advisor

As to Hong Kong law:  
Chiu & Partners

## Compliance Advisor

Cinda International Capital Limited

## Stock Code

The Stock Exchange of Hong Kong Limited:  
1181

## Website

[www.tanggong.cn](http://www.tanggong.cn)

# Financial Highlights

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

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

*Notes:*

- (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.

# 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 six months ended June 30, 2011 (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 approximately RMB10.5 million, 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) <sup>(1)</sup>	369.1	273.6
Average daily revenue from operation of restaurants (RMB in millions) <sup>(1)(2)</sup>	2.0	1.7
Number of restaurants owned and managed by us at period end <sup>(1)</sup>		
– Chinese restaurants	19	16
– Fast food restaurants (i.e. “ <b>Pepper Lunch</b> ” 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) The calculation is based on the actual number of days of operations in respective periods.

# Management Discussion and Analysis

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		Average spending per customer for the six months ended		Percentage of revenue contributed to the Group for the six months ended	
	June 30,		June 30,		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%
<b>Total</b>	<b>24</b>	<b>18</b>	<b>135.13</b>	<b>127.80</b>	<b>100%</b>	<b>100%</b>

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.

# Management Discussion and Analysis

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 inventories 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:

<b>Award</b>	<b>Awarding and Issuing Authority</b>	<b>Industry</b>
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 margin as well as decrease our operating costs. Besides, the individual income tax in the PRC announced to make certain relief in July 2011, likely boosting 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 Period, 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

# Management Discussion and Analysis

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.



# Management Discussion and Analysis

## 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 RMB39.5 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 RMB98.1 million for the Period, comprising principally the gross proceeds of approximately HK\$189.8 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.

# Management Discussion and Analysis

## 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 board of Directors (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.

## Capital Commitment

Our capital commitment were approximately RMB2.5 million and RMB2.3 million for the six months ended June 30, 2010 and 2011, respectively.

## Contingent Liabilities

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

# Management Discussion and Analysis

## Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Pursuant to a reorganisation to rationalise the group structure of the Group in preparation of the listing, the Company acquired from Mr. Chan Man Wai, Mr. Yip Shu Ming and Mr. Ku Hok Chiu the entire issued share capital of China Tang Palace F&B Enterprise Limited on March 25, 2011, pursuant to which the Company became the holding company of the subsidiaries of the Company now comprising the Group since that date. Details of the said reorganisation have been set out in the prospectus of the Company dated April 7, 2011 (the “Prospectus”) in connection with the IPO.

Save as disclosed above, during the period under review, there was no other material acquisition or disposal of subsidiaries or associated companies of the Company.

## Number and Remuneration of Employees

As at June 30, 2011, the Group had approximately 3,600 full time employees in Hong Kong and 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.

## Use of Net Proceeds from the IPO Exercise

The Company raised an aggregate net proceeds of approximately HK\$164.2 million from the issuance of an aggregate of 115,000,000 Shares (including exercise of the over-allotment option) of HK\$0.10 each in the Company pursuant to the Company’s IPO. Up to June 30, 2011, the Group has used part of the net proceeds in pursuant to the Prospectus as follows:

Use of Proceeds	Net IPO proceeds (HK\$ million)		
	Available pursuant to the IPO	Utilised during the Period	Unutilised as at June 30, 2011
Opening of about 8 new Chinese restaurants in certain first-tier and second-tier cities in the PRC	89.7	0.6	89.1
Opening of about 19 Pepper Lunch fast food restaurants in certain first-tier cities in the PRC	47.9	5.2	42.7
Sales and marketing promotion and brand awareness activities in certain first-tier cities, including launching of promotional campaigns and conducting of market surveys	10.2	2.6	7.6
General working capital	16.4	1.9	14.5
<b>Total</b>	<b>164.2</b>	<b>10.3</b>	<b>153.9</b>

The remaining net proceeds are mainly placed in reputable financial institutions as short term deposits.

# Other Information

## Listing of Shares on the Stock Exchange

Trading of Shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) commenced on April 19, 2011. Immediately upon the listing, the total number of issued Shares was 400,000,000 Shares.

As part of the IPO, the Company has granted to ICBC International Capital Limited, the sole global coordinator under the IPO, the over-allotment option (the “**Over-allotment Option**”) to cover any over-allocation under the placing tranche of the IPO. On April 19, 2011, the Over-allotment Option was exercised in full pursuant to which additional 15,000,000 Shares were allotted and issued by the Company on April 26, 2011. Details of the exercise of the Over-allotment Option have been set out in the Company’s announcement dated April 20, 2011.

## Interim Dividend

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.

## Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares and Debentures

As at June 30, 2011, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”)) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) recorded in the register maintained by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange were as follows:

Name of Director	Name of Group member/associated corporation	Capacity/nature of interest	Number and class of securities <sup>(Note 1)</sup>	Percentage of shareholding
Mr. Yip Shu Ming	Company	Interest of controlled corporation <sup>(Note 2)</sup>	105,000,000 Shares (L)	25.30%
Mr. Chan Man Wai	Company	Interest of controlled corporation <sup>(Note 3)</sup>	150,000,000 Shares (L)	36.14%
Mr. Ku Hok Chiu	Company	Interest of controlled corporation <sup>(Note 4)</sup>	45,000,000 Shares (L)	10.84%

# Other Information

## Notes:

- (1) The letter “L” denotes the Directors’ long position in the shares of the Company or the relevant associated corporation.
- (2) These Shares were held by Current Success Investments Limited, which is wholly owned by Mr. Yip Shu Ming. By virtue of the SFO, Mr. Yip is taken to be interested in the Shares held by Current Success Investments Limited.
- (3) These Shares were held by Best Active Investments Limited, which is wholly owned by Mr. Chan Man Wai. By virtue of the SFO, Mr. Chan is taken to be interested in the Shares held by Best Active Investments Limited.
- (4) These Shares were held by Bright Mind Investments Limited, which is wholly owned by Mr. Ku Hok Chiu. By virtue of the SFO, Mr. Ku is taken to be interested in the Shares held by Bright Mind Investments Limited.

Save as disclosed above, as at June 30, 2011, none of the Directors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) recorded in the register maintained by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

## Substantial Shareholders’ Interests in Shares and Underlying Shares

As at June 30, 2011, so far as is known to the Directors, the persons, other than Directors or chief executive of the Company, having or being deemed or taken to have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Name of Shareholders	Company/Name of Group member	Capacity/nature of interest	Number and class of securities <sup>(Note 1)</sup>	Approximately percentage of shareholding
Current Success Investments Limited <sup>(Note 2)</sup>	Company	Beneficial owner	105,000,000 Shares (L)	25.30%
Ms. Wong Sau Mui <sup>(Note 2)</sup>	Company	Interest of spouse	105,000,000 Shares (L)	25.30%
Best Active Investments Limited <sup>(Note 3)</sup>	Company	Beneficial owner	150,000,000 Shares (L)	36.14%

## Other Information

Name of Shareholders	Company/Name of Group member	Capacity/nature of interest	Number and class of securities <sup>(Note 1)</sup>	Approximately percentage of shareholding
Ms. Au Yim Bing <sup>(Note 3)</sup>	Company	Interest of spouse	150,000,000 Shares (L)	36.14%
Bright Mind Investments Limited <sup>(Note 4)</sup>	Company	Beneficial owner	45,000,000 Shares (L)	10.84%
Ms. Ku Wai Man <sup>(Note 4)</sup>	Company	Interest of spouse	45,000,000 Shares (L)	10.84%
Orchid Asia IV, L.P. <sup>(Note 5)</sup>	Company	Beneficial owner	27,706,000 Shares (L)	6.68%
OAIV Holdings, L.P. <sup>(Note 5)</sup>	Company	Interest of a controlled corporation	27,706,000 Shares (L)	6.68%
Orchid Asia IV Group Management, Limited <sup>(Note 5)</sup>	Company	Interest of a controlled corporation	27,706,000 Shares (L)	6.68%
Orchid Asia IV Group, Limited <sup>(Note 5)</sup>	Company	Interest of a controlled corporation	27,706,000 Shares (L)	6.68%
Orchid Asia IV Investment, Limited <sup>(Note 5)</sup>	Company	Interest of a controlled corporation	27,706,000 Shares (L)	6.68%
YM Investment Limited <sup>(Note 5)</sup>	Company	Interest of a controlled corporation	28,270,000 Shares (L)	6.81%
Ms. Lam Lai Ming <sup>(Note 5)</sup>	Company	Founder of a discretionary trust	28,270,000 Shares (L)	6.81%
Mr. Li Gabriel <sup>(Note 5)</sup>	Company	Founder of a discretionary trust	28,270,000 Shares (L)	6.81%
ManageCorp Limited <sup>(Note 5)</sup>	Company	Trustee	28,270,000 Shares (L)	6.81%

### Notes:

- (1) The letter “L” denotes the shareholder’s long position in the Shares.
- (2) These Shares were beneficially owned by Current Success Investments Limited, which was wholly owned by Mr. Yip Shu Ming. By virtue of the SFO, Mr. Yip is taken to be interested in the Shares held by Current Success Investments Limited. Ms. Wong Sau Mui is the spouse of Mr. Yip. Under the SFO, Ms. Wong is taken to be interested in the Shares in which Mr. Yip is interested.

## Other Information

- (3) These Shares were beneficially owned by Best Active Investments Limited, which was wholly owned by Mr. Chan Man Wai. By virtue of the SFO, Mr. Chan is taken to be interested in the Shares held by Best Active Investments Limited. Ms. Au Yim Bing is the spouse of Mr. Chan. Under the SFO, Ms. Au is taken to be interested in the Shares in which Mr. Chan is interested.
- (4) These Shares were beneficially owned by Bright Mind Investments Limited, which was wholly owned by Mr. Ku Hok Chiu. By virtue of the SFO, Mr. Ku is taken to be interested in the Shares held by Bright Mind Investments Limited. Ms. Ku Wai Man is the spouse of Mr. Ku. Under the SFO, Ms. Ku is taken to be interested in the Shares in which Mr. Ku is interested.
- (5) So far as the Directors are aware of, these Shares were beneficially owned as to 27,706,000 Shares by Orchid Asia IV, L.P. and as to 564,000 Shares by Orchid Asia IV Co-investment, Limited. Orchid Asia IV, L.P. was wholly controlled by Orchid Asia IV Group Management, Limited, which was in turn wholly controlled by Orchid Asia IV Group, Limited, which was in turn wholly controlled by Orchid Asia IV Investment, Limited which was about 92.61% controlled by YM Investment Limited. Orchid Asia IV Co-investment, Limited was wholly controlled by YM Investment Limited. Under the SFO, Orchid Asia IV Group Management, Limited, Orchid Asia IV Group, Limited, Orchid Asia IV Investment, Limited and YM Investment Limited were taken to be interested in the Shares beneficially owned by Orchid Asia IV, L.P., and YM Investment Limited was taken to be interested in the Shares beneficially owned by Orchid Asia IV Co-investment, Limited. Ms. Lam Lai Ming and Mr. Li Gabriel were also interested in YM Investment Limited through ManageCorp Limited as Trustee and were taken to be interested in the Shares in which YM Investment Limited was interested.

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company, whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares and Debentures” above) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as at June 30, 2011, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at that date.

## Share Option Schemes and Share Award Plan

### (a) Pre-IPO Share Option Scheme

Pursuant to a pre-initial public offering share option scheme (the “**Pre-IPO Share Option Scheme**”) adopted by the Company on March 25, 2011, the Company had granted 4,000,000 options to eligible senior management and employees of the Group to subscribe for ordinary shares in Company subject to the terms and conditions stipulated under the Pre-IPO Share Option Scheme. The exercise price shall be 50% of the final offer price to the public.

As at June 30, 2011, there were 4,000,000 outstanding options granted under the Pre-IPO Share Option Scheme which had not been exercised yet. Share options granted under the Pre-IPO Share Option Scheme are exercisable at HK\$0.825 per Share and each of the said share options granted to him/her may exercise the share options (a) up to 30% thereof during the period from April 20, 2012 to April 19, 2013; (b) subject to (a), up to 60% thereof during the period from April 20, 2012 to April 19, 2014; and (c) subject to (a) and (b), all outstanding options during the period from April 20, 2012 to April 19, 2015.

## Other Information

Details of the share options granted under the Pre-IPO Share Option Scheme which were outstanding as at June 30, 2011 are as follows:

Name	Date of Grant	Outstanding at March 25, 2011	Number of share options			Cancelled upon termination of employment	Outstanding at June 30, 2011
			Granted during the period	Exercised during the period	Lapsed on expiry		
Employees	March 25, 2011	4,000,000	-	-	-	-	4,000,000

### (b) Share Option Scheme

Pursuant to a share option scheme (the “**Share Option Scheme**”) adopted by the Company on March 25, 2011, the Directors may invite participants to take up options at a price determined by the Board but in any event shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares. The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which may be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the grant date. As at June 30, 2011, no options have been granted or agreed to be granted pursuant to the Share Option Scheme.

### (c) Share Award Plan

The Company adopted a share award plan (the “**Share Award Plan**”) on March 25, 2011 (“**Adoption Date**”) pursuant to which the Board may, subject to and in accordance with the rules of the Share Award Plan, make an award of Shares to certain classes of eligible participants as specified in the Share Award Plan, as determined by the Board from time to time on the basis of the Board’s opinion as to the proposed awardee’s contribution and/or future contribution to the development and growth of the Group. The Shares and other trust fund for the implementation of the Share Award Plan shall be administered by a trustee or trustees (the “**Share Award Plan Trustee**”) to be appointed by the Company.

Under the Share Award Plan, the Board shall determine the eligibility of the eligible participants and the number of shares to be awarded (the “**Awarded Shares**”) and notify the Share Award Plan Trustee of the making of awards. The Share Award Plan Trustee shall then set aside the appropriate number of award Shares pending the transfer and vesting to the relevant participants out of a pool of Shares which shall comprise of, among others, Shares either (1) transferred to it from any person (other than the Group) by way of gift; (2) purchased by the Share Award Plan Trustee out of the funds received by the Share Award Plan Trustee by way of gift or for nominal consideration; (3) subscribed for or purchased by the Share Award Plan Trustee out of the funds allocated by the Board out of the Group’s resources, subject to the terms and conditions of the rules of the Share Award Plan. The Share Award Plan Trustee may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-



## Other Information

market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of (1) the closing market price on the date of such purchase, and (2) the average closing market price for the five preceding trading days on which Shares of the Company were traded on the Stock Exchange. In any given financial year of the Company, the maximum numbers of Shares to be purchased by the Share Award Plan Trustee shall not exceed 10% of the total number of shares in issue of the Company at the beginning of such financial year. The Share Award Plan Trustee may also subscribe for new Shares at par or at such other subscription price as instructed by the Board out of the Group's contribution if the Board considers it appropriate to do so. The Company shall comply with the relevant Listing Rules when granting the Awarded Shares.

The legal and beneficial ownership of the relevant awarded Shares shall vest in the relevant selected participant within 10 business days after the latest of (1) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee; and (2) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

Unless early termination by the Board, the Share Award Plan shall be valid and effective for a term of 10 years commencing from the Adoption Date.

Up to and as at June 30, 2011, no Share had been awarded under the Share Award Plan.

### Audit Committee

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Directors passed on March 25, 2011. The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and material advice in respect of financial reporting and oversee the internal control procedures of the Company. Our Audit Committee comprises Mr. Kwong Ping Man, Mr. Kwong Chi Keung and Mr. Cheung, Kin Ting Alfred, all being independent non-executive directors. Mr. Kwong Ping Man is the chairman of the Audit Committee.

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

# Other Information

## Corporate Governance

The Board is committed to maintaining high standard of corporate governance practices to safeguard the interests of Company and the shareholders and to enhance corporate value and accountability. These can be achieved by an effective Board, segregation of duties with clear responsibility, sound internal control, appropriate risk assessment procedures and transparency to all the shareholders.

The Code on Corporate Governance Practices (the “**Corporate Governance Code**”) as set forth in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) has only become applicable to the Company since the date of listing of the Company’s Shares on the Stock Exchange on April 19, 2011 (the “**Listing Date**”). 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.

## Purchase, Sale or Redemption of Listed Securities of the Company

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

# Other Information

## 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

**Yip Shu Ming**

*Chairman and Executive Director*

Hong Kong, August 19, 2011

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2011

	Notes	Six months ended June 30,	
		2011 RMB'000 (unaudited)	2010 RMB'000 (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	8		
– 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

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

# Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2011

	Paid-in capital/ Share capital RMB'000	Share Premium RMB'000	Statutory general reserve RMB'000	Share options reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Attributable to owners of the Company RMB'000
At December 31, 2009	35,131		15,430		1,955	26,264	78,780
Profit and total comprehensive income for the period						23,309	23,309
Dividend recognised as distribution						(24,475)	(24,475)
Arising from reorganization	(2,643)						(2,643)
At June 30, 2010	32,488		15,430		1,955	25,098	74,971
Profit and total comprehensive income for the period	-		-		-	23,222	23,222
Dividend recognised as distribution	-		-		-	-	-
Arising from reorganization	(32,150)		-		72,201	-	40,051
Transfer of reserves			1,981			(1,981)	-
At December 31, 2010	338		17,411		74,156	46,339	138,244
Profit for the period	-		-		-	10,515	10,515
Issue of shares at a premium through initial public offering	8,398	130,175	-		-	-	138,573
Issue of shares at a premium through exercise of the over-allotment option	1,260	19,526					20,786
Issue of shares by capitalisation of share premium account	25,195	(25,195)					-
Transaction costs attributable to issue of shares	-	(6,345)	-		-	-	(6,345)
Recognition of equity-settled Share- based payments				534	-	-	534
Capital contributions arising from reorganization	(338)		-		338	-	-
Transfer of reserves	-		-		-	-	-
At June 30, 2011	34,853	118,161	17,411	534	74,494	56,854	302,307

# Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2011

	Six months ended June 30,	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash from operating activities	<b>39,507</b>	37,881
Net cash used in investing activities	<b>(6,832)</b>	(28,894)
Net cash (used in) from financing activities	<b>98,111</b>	(24,743)
Net increase (decrease) in cash and cash equivalents	<b>130,786</b>	(15,756)
Cash and cash equivalents at beginning of the period	<b>126,902</b>	108,737
Cash and cash equivalents at end of the period	<b>257,688</b>	92,981

# 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.

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).



# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 2. Principal Accounting Policies (Continued)

### Equity-settled share-based payment transactions (Continued)

#### Share options granted to employees (Continued)

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

<sup>1</sup> Effective for annual periods beginning on or after July 1, 2012.

<sup>2</sup> 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 3. Revenue and Segment Information

	Six months ended June 30,	
	2011 RMB'000	2010 RMB'000
Gross revenue	391,374	288,412
Less: sales related tax	(22,046)	(14,851)
	<b>369,328</b>	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
<b>REVENUE</b>					
External sales	66,287	173,114	129,927	–	369,328
Inter-segment sales	–	13,165	–	(13,165)	–
<b>Total</b>	<b>66,287</b>	<b>186,279</b>	<b>129,927</b>	<b>(13,165)</b>	<b>369,328</b>
<b>RESULTS</b>					
Segment results	2,047	10,807	14,842	–	27,696
Unallocated corporate expenses					(3,307)
<b>Profit before tax</b>					<b>24,389</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 3. Segment Information (Continued)

### Segment revenues and results (Continued)

#### Six months ended June 30, 2010

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

#### 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 4. Profit Before Tax

	Six months ended June 30,	
	2011	2010
	RMB'000	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 Company was 24% for the six months ended June 30, 2011 (2010: 22%).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 6. Dividends

### Interim Dividend

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. Share-Based Payment Transactions

### (a) Share Option Scheme

Pursuant to a share option scheme approved by a written resolution passed by the shareholders of the Company on March 25, 2011 (the “**Share Option Scheme**”), the Company may grant options to the Directors or employees, any business consultants, business partners, suppliers, customers, agents or financial or legal advisers of Company or any of its subsidiaries, for the recognition of their contributions, to subscribe for shares in Company with a payment of HK\$1.00 upon each grant of options offered.

The exercise price of the share option will be determined at the highest of:

- (i) the closing price of Company’s shares on the Stock Exchange on the date of grant;
- (ii) the average of closing prices of shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option; and
- (iii) the nominal value of the shares.

The share options are exercisable at any time during a period of not more than 10 years from the date of grant, subject to the terms and conditions of the Share Option Scheme, or any conditions stipulated by the board of Directors.

The maximum number of shares in respect of which options may be granted shall not exceed 10% of the number of shares of Company in issue from time to time. Unless further shareholders’ approval has been obtained pursuant to the conditions set out in the Share Option Scheme, no person shall be granted an option which, if all the options granted to the person (including both exercised and outstanding options) in any 12 month period up to the date of grant are exercised in full, would result in such person’s maximum entitlement exceeding 1% of the number of issued shares of Company.

As at the date of this report, no options were granted or agreed to be granted pursuant to the Share Option Scheme.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 7. Share-Based Payment Transactions (Continued)

### (b) Pre-IPO Share Option Scheme

The following table discloses movements of the share options of Company held by Company's Directors or employees during the period:

Name	Date of Grant	Number of share options				Cancelled upon termination of employment	Outstanding at June 30, 2011
		Outstanding at March 25, 2011	Granted during the period	Exercised during the period	Lapsed on expiry		
Employee	March 25, 2011	4,000,000	—	—	—	—	4,000,000

Notes:

- Options granted on March 25, 2011 are exercisable during the period April 20, 2012 to April 19, 2015.
- The share options vest in stages as follows:
  - up to 30% of the options granted may be exercised on or prior to the end of the second year after the Listing Date.
  - up to 60% of the options granted may be exercised on or prior to the end of the second year after the Listing Date.
  - all outstanding options may be exercised prior to the expiry of the said exercise period.

In the current period, share options were granted on March 25, 2011. The fair value of the options at the date of grant using the Binomial Model was HK\$4,349,320.

The following assumptions were used to calculate the fair value of share options:

	March 25, 2011
Grant date share price	HK\$1.65
Exercise price	HK\$0.825
Expected volatility	66.1%
Dividend yield	0.00
Risk-free interest rate	1.53%

The Binomial Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate with reference to the valuation performed by Jones Lang LaSalle Sallmanns Limited, firm of independent valuer not connected with the Group. Changes in variables and assumptions may result in changes in the fair value of the options.

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share option reserve.

The Group has recognised total expense of RMB534,237 during the Period in relation to share options granted by Company.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 7. Share-Based Payment Transactions (Continued)

### (c) Share Award Plan

The Company adopted a share award plan (the “**Share Award Plan**”) on March 25, 2011 (“**Adoption Date**”) pursuant to which the Board may, subject to and in accordance with the rules of the Share Award Plan, make an award of Shares to certain classes of eligible participants as specified in the Share Award Plan, as determined by the Board from time to time on the basis of the Board’s opinion as to the proposed awardee’s contribution and/or future contribution to the development and growth of the Group. The Shares and other trust fund for the implementation of the Share Award Plan shall be administered by a trustee or trustees (the “**Share Award Plan Trustee**”) to be appointed by the Company.

Under the Share Award Plan, the Board shall determine the eligibility of the eligible participants and the number of shares to be awarded (the “**Awarded Shares**”) and notify the Share Award Plan Trustee of the making of awards. The Share Award Plan Trustee shall then set aside the appropriate number of award Shares pending the transfer and vesting to the relevant participants out of a pool of Shares which shall comprise of, among others, Shares either (1) transferred to it from any person (other than the Group) by way of gift; (2) purchased by the Share Award Plan Trustee out of the funds received by the Share Award Plan Trustee by way of gift or for nominal consideration; (3) subscribed for or purchased by the Share Award Plan Trustee out of the funds allocated by the Board out of the Group’s resources, subject to the terms and conditions of the rules of the Share Award Plan. The Share Award Plan Trustee may purchase Shares on the Stock Exchange at the prevailing market price or off the market. In respect of off-market transactions, purchases shall not be made with any connected person, nor shall the purchase price be higher than the lower of (1) the closing market price on the date of such purchase, and (2) the average closing market price for the five preceding trading days on which Shares of the Company were traded on the Stock Exchange. In any given financial year of the Company, the maximum numbers of Shares to be purchased by the Share Award Plan Trustee shall not exceed 10% of the total number of shares in issue of the Company at the beginning of such financial year. The Share Award Plan Trustee may also subscribe for new Shares at par or at such other subscription price as instructed by the Board out of the Group’s contribution if the Board considers it appropriate to do so. The Company shall comply with the relevant Listing Rules when granting the Awarded Shares.

The legal and beneficial ownership of the relevant awarded Shares shall vest in the relevant selected participant within 10 business days after the latest of (1) the date specified on the notice of the award given by the Board to the Share Award Plan Trustee; and (2) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected participant as specified in the related notice of award have been attained and notified to the Share Award Plan Trustee by the Board in writing.

Unless early termination by the Board, the Share Award Plan shall be valid and effective for a term of 10 years commencing from the Adoption Date.

Up to and as at June 30, 2011, no Share had been awarded under the Share Award Plan.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 8. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of 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	<b>10,515</b>	23,309

	Number of shares	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>345,801,105</b>	300,000,000
Effect of dilutive potential ordinary shares in respect of share options	<b>1,512,806</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>347,313,911</b>	300,000,000

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 10. 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

## 11. Bank Loans

For the six months ended June 30, 2011, the Group fully repaid bank loans of approximately RMB41,019,000 (as at December 31, 2010: approximately RMB41,019,000). The bank loans bear interest at prevailing market rate.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 12. Paid-in-Capital/Share Capital

	Notes	Number of shares	Share Capital (HK\$'000)
Ordinary shares of HK\$0.10 each			
<b>Authorised:</b>			
As at date of incorporation	(i)	2,000,000	200
Increase in authorised share capital on April 19, 2011	(ii)	1,998,000,000	199,800
As at June 30, 2011		2,000,000,000	200,000
<b>Issued and fully paid:</b>			
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	200
Issue of shares pursuant to the capitalisation issue on April 19, 2011		298,000,000	29,800
Issue of shares pursuant to the global offering on April 19, 2011		100,000,000	10,000
Issue of shares on over-allotment on April 26, 2011		15,000,000	1,500
As at June 30, 2011		415,000,000	41,500
			RMB'000
Equivalent to RMB			34,853

- (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 authorised 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2011

## 13. Related Parties Disclosures

The group had the following transactions with related parties:

Name of related parties	Nature of transaction	Six months ended June 30,	
		2011	2010
		RMB'000	RMB'000
Chiu Kwun Engineering (Shenzhen) Co., Ltd. <i>(note i)</i>	Leasehold Improvement	–	1,802
C&W (Nominees) Ltd <i>(note ii)</i>	Professional fee	2	11
Dongguan Well Excellent Hotel Management Services Co., Ltd. <i>(note iii)</i>	Management fee <i>(note iv)</i>	–	120
	Rental expenses	516	600
Meco Group Company Limited <i>(note iii)</i>	Rental expenses	2,316	887
Well Excellent Company Limited <i>(note iii)</i>	Dividend recognised as distribution	–	24,514

Notes:

- (i) Mr. Ku Hok Chiu is beneficial owner.
- (ii) Mr. Chan Chi Kwong, a director of certain subsidiaries, is beneficial owner.
- (iii) Mr. Chan Man Wai, Mr. Ku Hok Chiu and Mr. Yip Shu Ming are Directors and shareholders of Company.
- (iv) Management fee has been paid up to March 2010 and discontinued in April 2010.