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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2013 ("**FY2013**"), together with comparative figures for the year ended 31 December 2012 ("**FY2012**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	**2013** **RMB'000**	2012 *RMB'000*
Revenue	*3*	**902,420**	824,712
Other income and gain	*3*	**20,627**	18,386
Cost of inventories consumed		**(380,162)**	(338,536)
Staff costs		**(237,601)**	(206,917)
Depreciation of items of property, plant and equipment		**(49,785)**	(39,800)
Utilities and consumables		**(51,525)**	(52,362)
Rental and related expenses		**(88,123)**	(72,773)
Other expenses		**(65,572)**	(57,453)
Finance costs	*5*	**(282)**	–
PROFIT BEFORE TAX	*6*	**49,997**	75,257
Income tax expense	*7*	**(13,144)**	(20,425)
PROFIT FOR THE YEAR		**36,853**	54,832
Attributable to:			
Equity holders of the Company		**36,853**	54,832
Non-controlling interests		**–**	–
		36,853	54,832
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic (RMB)		**8.83 cents**	13.19 cents
Diluted (RMB)		**8.81 cents**	13.14 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**36,853**	54,832
OTHER COMPREHENSIVE LOSS		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(772)**	(496)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**36,081**	54,336
Attributable to:		
Equity holders of the Company	**36,081**	54,336
Non-controlling interests	**–**	–
	36,081	54,336

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**156,560**	148,699
Intangible assets		**11,513**	12,169
Deposits	*10*	**34,192**	16,802
Deferred tax assets		**4,763**	6,097
Total non-current assets		**207,028**	183,767
CURRENT ASSETS			
Inventories		**29,520**	24,048
Trade and other receivables and prepayments	*10*	**24,387**	26,941
Time deposits		**27,445**	–
Cash and cash equivalents		**234,035**	265,405
Total current assets		**315,387**	316,394
CURRENT LIABILITIES			
Trade and other payables	*11*	**142,509**	128,344
Amount due to a related company		**4,258**	1,394
Tax payable		**2,054**	4,254
Total current liabilities		**148,821**	133,992
NET CURRENT ASSETS		**166,566**	182,402
TOTAL ASSETS LESS CURRENT LIABILITIES		**373,594**	366,169
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,177**	1,115
Net assets		**372,417**	365,054
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**35,133**	34,944
Reserves		**336,284**	330,110
		371,417	365,054
Non-controlling interests		**1,000**	–
Total equity		**372,417**	365,054

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL INFORMATION

Tang Palace (China) Holdings Limited was incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is located at Unit 3, 10th Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Kowloon, Hong Kong.

During the year, the Group was principally engaged in restaurant operations and food productions.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

3. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Group's turnover, represents the amount received and receivable for the operation of restaurants, net of discounts and sales related taxes during the year.

An analysis of the Group's revenue, other income and gain is as follows:

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Gross revenue	**954,736**	873,343
Less: sales related tax	**(52,316)**	(48,631)
	902,420	824,712
Other income and gain		
Bank interest income	**2,763**	3,210
Commission income *(note)*	**13,681**	11,122
Gain on disposal of items of property, plant and equipment	**–**	409
Others	**4,183**	3,645
	20,627	18,386

Note: Commission income represents commission received or receivable in respect of sales of tea related products.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on geographical areas and has three reportable operating segments as follows:

(i) the Southern China region;

(ii) the Eastern China region; and

(iii) the Northern China region

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted operating profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that head office and corporate income and expenses are excluded from such measurement.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information about major customers

There was no revenue from customers individually contributing over 10% to the total revenue of the Group.

Segment information about the business is presented below:

	Southern China		Eastern China		Northern China		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:								
Sales to external customers	**151,545**	133,551	**440,038**	364,824	**310,837**	326,337	**902,420**	824,712
Inter-segment sales	**–**	–	**10,084**	10,776	**–**	–	**10,084**	10,776
	151,545	133,551	**450,122**	375,600	**310,837**	326,337	**912,504**	835,488
Reconciliation:								
Elimination of inter-segment sales							**(10,084)**	(10,776)
Revenue							**902,420**	824,712
Segment results	**10,213**	7,974	**29,268**	28,308	**33,570**	59,733	**73,051**	96,015
Reconciliation:								
Interest income							**1,105**	2,332
Unallocated expenses							**(23,877)**	(23,090)
Finance costs							**(282)**	–
Profit before tax							**49,997**	75,257
Other segment information:								
Depreciation of items of property, plant and equipment	**10,195**	8,874	**23,187**	16,702	**16,118**	14,189	**49,500**	39,765
Amortisation of intangible assets	**–**	–	**625**	255	**223**	88	**848**	343
Gain on disposal of items of property, plant and equipment	**–**	409	**–**	–	**–**	–	**–**	409
Impairment of items of property, plant and equipment	**–**	–	**–**	–	**538**	–	**538**	–
Capital expenditure*	**3,402**	28,382	**40,883**	46,053	**13,982**	21,255	**58,267**	95,690

* Capital expenditure represents additions to property, plant and equipment and intangible assets.

4. OPERATING SEGMENT INFORMATION *(Continued)*

For management purposes, segment revenue and segment results are the two key indicators provided to the Group's chief operating decision maker to make decisions about the resource allocation and to assess performance. No segment assets and liabilities information is presented as, in the opinion of the directors, such information is not a key indicator provided to the Group's chief operating decision maker.

The Group's revenue are mainly from restaurant operations and food productions.

Geographical information

All of the Group's operations are located in the People's Republic of China (the "**PRC**"). The Group's revenue from external customers and all of its non-current assets are located in the PRC.

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**282**	–

6. PROFIT BEFORE TAX

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

	2013	2012
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**49,785**	39,800
Amortisation of intangible assets	**1,592**	1,117
Impairment of items of property, plant and equipment	**538**	–
Minimum lease payments under operating leases of land and buildings	**72,750**	61,472
Contingent rents under operating leases*	**978**	514
Auditors' remuneration	**960**	650
Directors' remuneration	**3,885**	4,479
Employee benefit expense excluding directors' and chief executive's remuneration:		
Wages and salaries	**213,569**	183,388
Equity-settled share option expense	**593**	1,238
Equity-settled share award plan expense	**1,396**	–
Pension scheme contributions (defined contribution scheme)^	**18,158**	17,812
	233,716	202,438
Foreign exchange differences, net	**(1,131)**	866

* Contingent rents under operating leases is included in "Rental and related expenses" in the consolidated statement of profit or loss.

^ At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2012: Nil).

7. INCOME TAX

The Company was incorporated in the Cayman Islands and is exempted from income tax. It is not subject to tax in other jurisdictions.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (2012: 25%)

	2013	2012
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**11,748**	21,757
Deferred	**1,396**	(1,332)
Total tax charge for the year	**13,144**	20,425

8. DIVIDENDS

	2013	2012
	RMB'000	*RMB'000*
Proposed final – HK6.6 cents (2012: HK9.7 cents) per ordinary share	**22,096**	32,899

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 417,378,485 (2012: 415,691,016) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**36,853**	54,832

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year	**417,378,485**	415,691,016
Effect of dilution – weighted average number of ordinary shares in respect of share options	**696,595**	1,448,726
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**418,075,080**	417,139,742

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2013 *RMB'000*	2012 *RMB'000*
Trade receivables	**9,181**	10,119
Prepayments	**13,008**	12,743
Deposits and other receivables	**36,390**	20,881
	58,579	43,743
Less: Deposits classified as non-current assets	**(34,192)**	(16,802)
	24,387	26,941

The Group's trading terms with its customers are mainly on credit. The credit period is ranging from 30 to 80 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	2013 *RMB'000*	2012 *RMB'000*
Within 30 days	**7,554**	8,422
31 to 60 days	**432**	1,007
61 to 90 days	**551**	173
Over 90 days	**644**	517
	9,181	10,119

11. TRADE AND OTHER PAYABLES

	2013 *RMB'000*	2012 *RMB'000*
Trade payables	**46,189**	39,789
Other payables and accruals	**23,205**	23,755
Salary and welfare payables	**22,423**	22,474
Receipts in advance	**50,692**	42,326
	142,509	128,344

11. TRADE AND OTHER PAYABLES *(Continued)*

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 30 days	**36,332**	36,050
31 to 60 days	**4,051**	1,796
61 to 90 days	**1,568**	452
91 to 180 days	**1,408**	557
Over 180 days	**2,830**	934
	46,189	39,789

12. SHARE CAPITAL

	2013		2012	
	HK$'000	***RMB'000* equivalent**	*HK$'000*	*RMB'000* equivalent
Authorised: 2,000,000,000 (2012: 2,000,000,000) ordinary shares of HK$0.10 (2012: HK$0.10) each	**200,000**		200,000	
Issued and fully paid: 418,481,000 (2012: 416,116,000) ordinary shares of HK$0.10 (2012: HK$0.10) each	**41,848**	**35,133**	41,612	34,944

A summary of the transactions during the year with reference to the movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	**Issued capital** *HK$'000*	**Issued capital** *RMB'000* equivalent
At 1 January 2012	415,000,000	41,500	34,853
Issue of shares on the exercise of share options	1,116,000	112	91
At 31 December 2012 and 1 January 2013	416,116,000	41,612	34,944
Issue of shares on the exercise of share options	1,002,000	100	80
Issue of shares under a share award plan	1,363,000	136	109
At 31 December 2013	418,481,000	41,848	35,133

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The growth of the Gross Domestic Product of the People's Republic of China, according to the National Bureau of Statistics of China, has slowed down from 7.8% for FY2012 to 7.7% for FY2013. The consumer sector has clearly shown a relatively conservative growth, with an increase of 13.1% for the total retail sales of consumer goods for FY2013, as compared to an increase of 14.3% for FY2012. The catering industry has suffered from a particularly heavy blow from a substantially subdued consumers' willingness to spend amidst strict enforcement by the PRC government of its policy of restricting on ostentatious spending.

In the "Catering Market Analysis for the First Half 2013 and Forecast for the Second Half 2013"Report (2013年上半年餐飲市場分析及下半年預測) issued by China Cuisine Association (中國烹飪協會), it was stated that growth rate of China's catering industry reduced by 3 percentage points year-on-year for the first half year, which also marked the lowest growth rate in recent years with the exception of 2003 during which the "SARS" outbreak took its toll on the whole industry. The report further noted that, for the second quarter, 20% of the operators in the market had suffered a loss, and 60% of them had recorded substantial fall in profit.

In view of the Chinese government's continuous policy in encouraging thrift ness and reducing spending, the Group has been continuously adjusting its operation and expansion plan to accomodate the rapidly changing market. With the expectation on uprising scale of casual dining in catering business, the Group's strategy on gradually building up its presence on this sector, while maintaining a steady development of Chinese cuisines was affirmative. As at 31 December 2013, the Group is operating 50 restaurants under eight brands, including an addition of 2 Chinese restaurants, 8 Pepper Lunch restaurants and 2 PappaRich restaurants.

Chinese Restaurant Business

As a major income source of the Group, Chinese cuisine remains as our core business. As at 31 December 2013, the Group is operating 24 Chinese restaurants under four brands, of which 2 of them were opened in Shanghai during the year. The enhancement of reducing entertainment budget of the Chinese government has casted a major influence on the consumers' relatively conservative spending, which was reflected by the reduced average spending per customer across the Group's northern, eastern and southern stronghold. The avian influenza in the second quarter was also taken into account of the reduced customer spending. However, the Group has implemented a series of intensified promotional activities to enhance brand building and maintain healthy customer traffic, while adjusting the menu structure and product mix on the other hand to match the rapidly changing spending pattern, resulting in an overall increase of patronages.

Casual Dining Business

The Group has foreseen the trend on modern dining preferences. Customers' increased willingness in trying new style of cuisine with affordable price has offered the opportunity to developing the casual dining businesses. Pepper Lunch business has grown from its first outlet in 2010 to 22 outlets as of 31 December 2013, with continuously increasing its presence in Beijing, Tianjin and Shanghai.

Providing customers with diversified food choices remains the Group's strategy for sustainable and continuous development. In doing so, the Group has once again brought into China a brand new dining concept to its customers by cooperating with PappaRich, a renowned Malaysian brand serving unique, exotic and authentic dining experiences across different continents world-wide. During 2013, PappaRich opened 2 outlets in Shanghai which have been blessed with warm reception from the younger generation of customers. The business has been progressing well.

The table below illustrates the number of restaurants by major brands, together with the average spending per customer including gross revenue from dining and tea related products, and percentage of revenue contributed to the Group:

Brand	**No. of restaurants as at 31 December**		**Average spending per customer for the year ended 31 December**		**Percentage of revenue contributed to the Group for the year ended 31 December**	
	2013	2012	**2013**	2012	**2013**	2012
			RMB	*RMB*		
Tang Palace Seafood Restaurant (唐宮海鮮舫)	**16**	14	**145.2**	165.3	**64.8%**	66.1%
Tang's Cuisine (唐宮壹號)	**5**	5	**296.6**	331.2	**14.2%**	11.8%
Excellent Tang Palace (盛世唐宮)	**2**	2	**96.9**	102.4	**7.9%**	8.9%
Tang Palace Restaurant (唐宮膳)	**1**	1	**124.5**	109.4	**3.7%**	7.2%
Pepper Lunch (胡椒廚房)	**22**	14	**40.3**	41.8	**7.5%**	4.4%
PappaRich (金爸爸)	**2**	–	**62.7**	–	**0.5%**	–

Outlook and Prospect

2013 was a year of change for the catering industry in China, with the Chinese government's policy in tightening spending, the avian influenza followed by poultry sale suspension. Continuous increase of operating costs had given the industry a chance of transformation to adjust to the new era of the industry, which was not an easy task. The Group, however, has proven its perseverance and solid foundation with steady growth and expansion of network. Looking ahead, the Group believes that maintaining its existing approach on its diverse cuisine choices is a powerful strategy matching with the new customer spending pattern. It will continue to develop Chinese restaurant business in a steady pace, while progressively develop the casual dining business to conform with our multi-branding strategy.

The Group regards the expansion of its customer base as the top priority on its "to-do list". One effective measure being adopted by the Group for enticing new customers and promoting customer loyalty was the launch of the membership card programme. Elevating the Group's presence in banquet market has continued to be one of the important drivers for generation of stable revenue. To this end, the Group has launched a new restaurant targets specifically on banqueting in 2014, and will offer catering delivery service in full swing in an attempt to increase its revenue by providing on-site catering and banquet services. On the other hand, the Group is preparing to further develop "take away" services to reinforce its operating revenue other than from within the restaurant floor as well as to promote brand recognition, thereby effectively enhancing its profitability.

Online shopping has become increasingly popular as the pattern of daily life of today's consumers keeps evolving with technological innovation. As the Group saw the emerging trend where more conventional means of consumers spending were shifting to purchasing through internet and mobile devices, it has been making use of this platform to further its interaction with customers and engaging in vigorous promotion of online shopping, for strengthening its results. Our vision is to achieve better rate of repeated customers with more precise and exact marketing and more straightforward and direct customer service.

On the other hand, the Group envisages that casual dining would more and more become an important part of modern daily dining pattern, and therefore the development of casual dining business will be one of its focuses. It will actively pursue the expansion of its Pepper Lunch and PappaRich operations and is planning to open PappaRich outlets outside Shanghai (including Hong Kong and Macau) as well as to open more Pepper Lunch outlets in Beijing, Shanghai and Tianjin. The Group will constantly review and adjust the expansion plans to respond to the latest market trend.

The Group has made a decisive move in implementing policies to further enhance efficiency and will continue to enlarge the scale of central procurement, in addition to sizable and reputable strategic partner such as Metro Jinjiang Cash & Carry Co., Ltd. and Yihai Kerry Food Sales & Distribution Co., Ltd., the Group has recently signed a strategy cooperation agreement with China Resources Ng Fung Limited. The Group will put its utmost effort in searching reliable food raw materials suppliers to stabilise the costs and volume of raw materials supply and provide higher assurance to food quality with the traceability of food. Moreover, we are in the progress to optimise the production and procurement capacities of the food processing plant, introduce additional product lines include seasonings and flavours, seasonal products, "Tang Palace" brand products and products for easy storage and logistic delivery purposes, in order to reduce food cost and improve profitability of the restaurants. The Group will keep working on the optimisation of existing organisational structure and enhance our management model. It remains an important task to maintain a stable labour cost through continuous improvements in labour productivity and efficiency.

The Group perceives the expansion of its network and building up of its presence as the core of its ongoing development plan. It will adhere to a business model that depicts multi-brand and multi-pricing, integrated operation, comprehensive coverage of consumer layers and income stream diversification under different brands. Above all, it vows to achieve optimisation of profitability through improvement in efficiency as its primary objective. The Group is confident that by enhancing operational efficiency, it will enable the Group to confront any challenges and thrive in coming years.

Financial Review

Revenue

The Group's revenue for FY2013 increased by RMB77.7 million, or by 9.4%, from RMB824.7 million for FY2012 to RMB902.4 million for FY2013. Such increase was mainly attributable to the revenues contributed by the 12 additional restaurants, partially offset by the decrease in per customer spending. The following table illustrates the number of restaurants in operation and revenue for FY2013:

	Southern China		**Eastern China**		**Northern China**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Number of restaurants								
Chinese restaurant	**4**	4	**12**	10	**8**	8	**24**	22
Japanese restaurant	**1**	1	**1**	1	**–**	–	**2**	2
Pepper Lunch restaurant	**–**	–	**6**	2	**16**	12	**22**	14
PappaRich restaurant	**–**	–	**2**	–	**–**	–	**2**	–
Total	**5**	5	**21**	13	**24**	20	**50**	38
Revenue (RMB'000)	**151,545**	133,551	**440,038**	364,824	**310,837**	326,337	**902,420**	824,712

During the year, the issuance of a set of regulations and restrictions to promote frugality and curb waste by the Chinese government casted an impact on certain customer groups' expenditure. Northern China was mostly affected by such adverse market momentum where revenue decreased by 4.7%. Meanwhile, revenue of Southern China and Eastern China increased by 13.5% and 20.6% respectively, indicating that our intensified brand building and promotional activities, together with the contribution from new restaurants, have come into effect.

Operating expenses

The overall operating expenses increased as a percentage of revenue. Cost of inventories consumed increased from 41.0% to 42.1% due to the heightened promotional activities launched to balance the reduced customer spending. Staff cost increased from 25.1% to 26.3%, resulted from adjustment in wage level for restaurant staff. Depreciation of items of property, plant and equipment (5.5% of revenue), rental and related expenses (9.8% of revenue) as well as the other expenses (7.3% of revenue) increased by less than 1% each, mainly attributable by the increased number of new restaurants. Utilities and consumables decreased from 6.3% to 5.7%, mirrored the effort the Group has put on lowering expenses.

Income tax expense

Income tax expense for the year decreased by 7.3 million from RMB20.4 million to RMB13.1 million. The Group's effective income tax rate decreased from 27.1% to 26.3% as a result of continuous efficient tax planning during the year.

Profit attributable to equity holders of the Company for the year

The Group's profit attributable to equity holders of the Company declined by RMB17.9 million from RMB54.8 million to RMB36.9 million. The net profit margin for the year decreased from 6.6% to 4.1%.

Cash flow

Cash and cash equivalents decreased by RMB31.4 million from RMB265.4 million as at 31 December 2012 to RMB234.0 million as at 31 December 2013.

Net cash of RMB83.2 million was generated from operating activities for FY2013. Net cash used in investing activities amounted to RMB83.8 million for FY2013, of which RMB58.2 million related to the purchase of items of property, plant and equipment. Net cash used in financing activities amounted to RMB30.7 million, including dividend paid amounting to RMB32.4 million.

Liquidity and Financial Resources

The Group's funding and treasury activities are managed and controlled by senior management. The Group maintained cash and cash equivalents and time deposits, in aggregate, of RMB261.5 million as at 31 December 2013 (31 December 2012: RMB265.4 million). As at 31 December 2013, the Group's total assets, net current assets and net assets were RMB522.4 million (31 December 2012: RMB500.2 million), RMB166.6 million (31 December 2012: RMB182.4 million) and RMB372.4 million (31 December 2012: RMB365.1 million), respectively.

As at 31 December 2013, the Group's had no bank borrowings (31 December 2012: Nil). The gearing ratio was nil as at 31 December 2013 (31 December 2012: Nil).

As at 31 December 2013, the current ratio (calculated as current assets divided by current liabilities) was 2.1 (31 December 2012: 2.4).

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 were mainly denominated 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 31 December 2013, the directors considered the Group's foreign exchange risk to be insignificant. During the year, the Group did not use any financial instruments for hedging purposes.

OTHER INFORMATION

Number and Remuneration of Employees

As at 31 December 2013, the Group had over 4,000 employees in Hong Kong, Macau 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, share options, share awards and performance related bonus.

Capital Commitment

Our capital commitment were approximately RMB6.6 million and RMB4.4 million as at 31 December 2013 and 31 December 2012, respectively.

Charges on Group's Assets

As at 31 December 2013, the Group did not have any charges on its assets (31 December 2012: Nil).

Contingent Liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

During the year, there was no material acquisition or disposal of subsidiaries or associated companies of the Company.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the year.

Model Code For The 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 the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries to all of the directors and all of the directors confirmed that they have complied with the required standards set out in the Model Code during the year.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee comprises all the three independent non-executive directors, namely Mr. KWONG Chi Keung, Mr. KWONG Ping Man and Mr. CHEUNG Kin Ting Alfred.

The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2013.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 30 May 2014 (the "**AGM**"). A formal notice of the AGM will be published and dispatched to shareholders of the Company as required by the Listing Rules in due course.

DIVIDEND

The Board recommended the payment of a final dividend of HK6.6 cents per share, representing 60% as payout ratio, payable to shareholders of the Company whose names appear on the register of members of the Company on 9 June 2014. Taken into account the Group's sufficiency in resources for its working capital and business development requirements, the Company would like to share the result achieved in 2013 with its shareholders by way of a higher dividend payout. The Board would like to clarify that there is no change to the Company's intention as stated in the prospectus to distribute no more than 50% of the Group's net profit for each year. Subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on 30 May 2014, the final dividend will be paid on or before 30 June 2014.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 26 May 2014 to 30 May 2014 (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the AGM, all transfers documents, accompanied by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 23 May 2014.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. For the purpose of determining the entitlement of the shareholders to the final dividend for the year ended 31 December 2013 (if approved), the register of members of the Company will be closed from 6 June 2014 to 9 June 2014 (both days inclusive), during which period no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2013 (if approved), all transfers documents, accompanies by the relevant share certificates, must be lodged with Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 5 June 2014.

APPRECIATION

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

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

Hong Kong, 27 March 2014

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. KWONG Chi Keung, Mr. KWONG Ping Man, Mr. CHEUNG Kin Ting Alfred*