唐宮(中國)控股有限公司
**TANG PALACE (CHINA) HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*
**(Stock code: 1181)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

**HIGHLIGHTS**

1. Revenue achieved RMB477.6 million for the six months ended 30 June 2014, representing a year-on-year growth of 9.2%.

2. Profit for the Period recorded RMB28.6 million, representing a substantial year-on-year growth of over 90%.

3. Net profit margin raised to 6.0%.

4. As at 30 June 2014, the Group is operating 52 restaurants in Beijing, Tianjin, Suzhou, Hangzhou, Shanghai, Dongguan, Shenzhen and Macau.

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014 ("**the Period**"), together with the comparative figures for the six months ended 30 June 2013.

The condensed consolidated interim results have not been audited, but have been reviewed by the Company's audit committee ("**Audit Committee**").

**CONDENSED CONSOLIDATED INCOME STATEMENT**
*Six months ended 30 June 2014*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | ***RMB'000*** | *RMB'000* |
| | *Notes* | **(unaudited)** | (unaudited) |
| Revenue | *3* | **477,610** | 437,290 |
| Other income and gains | *3* | **11,100** | 10,145 |
| Cost of inventories consumed | | **(193,612)** | (183,379) |
| Staff cost | | **(122,738)** | (118,935) |
| Depreciation of items of property, plant and equipment | | **(26,688)** | (23,772) |
| Utilities and consumables | | **(27,597)** | (26,157) |
| Rental and related expenses | | **(48,243)** | (42,073) |
| Other expenses | | **(32,542)** | (33,553) |
| PROFIT BEFORE TAX | *5* | **37,290** | 19,566 |
| Income tax expense | *6* | **(8,650)** | (4,547) |
| PROFIT FOR THE PERIOD | | **28,640** | 15,019 |
| Attributable to: | | | |
| Owners of the Company | | **28,640** | 15,019 |
| Non-controlling interests | | **–** | – |
| | | **28,640** | 15,019 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | *8* | | |
| Basic (RMB cents) | | **6.84** | 3.61 |
| Diluted (RMB cents) | | **6.83** | 3.60 |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*Six months ended 30 June 2014*

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| PROFIT FOR THE PERIOD | **28,640** | 15,019 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **24** | (755) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | **28,664** | 14,264 |
| Attributable to: | | |
| Owners of the Company | **28,664** | 14,264 |
| Non-controlling interests | **–** | – |
| | **28,664** | 14,264 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2014*

| | Notes | As at 30 June 2014 RMB'000 (unaudited) | As at 31 December 2013 RMB'000 (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **156,799** | 156,560 |
| Intangible assets | | **10,855** | 11,513 |
| Deposits | | **31,696** | 34,192 |
| Deferred tax assets | | **4,442** | 4,763 |
| Total non-current assets | | **203,792** | 207,028 |
| **CURRENT ASSETS** | | | |
| Inventories | | **30,638** | 29,520 |
| Trade and other receivables and prepayments | *9* | **31,413** | 24,387 |
| Time deposits | | **24,600** | 27,445 |
| Cash and cash equivalents | | **242,957** | 234,035 |
| Total current assets | | **329,608** | 315,387 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *10* | **144,854** | 142,509 |
| Amount due to a related company | | **5,007** | 4,258 |
| Tax payable | | **2,731** | 2,054 |
| Total current liabilities | | **152,592** | 148,821 |
| **NET CURRENT ASSETS** | | **177,016** | 166,566 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **380,808** | 373,594 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **1,052** | 1,177 |
| Net assets | | **379,756** | 372,417 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | *11* | **35,221** | 35,133 |
| Reserves | | **343,535** | 336,284 |
| | | **378,756** | 371,417 |
| Non-controlling interests | | **1,000** | 1,000 |
| Total equity | | **379,756** | 372,417 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Tang Palace (China) Holdings Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability. The registered office of the Company is located in 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 Period, the Group were principally engaged in restaurant operations and food productions.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

The accounting policies and basis of preparation adopted in the preparation of this unaudited condensed consolidated interim financial statements are consistent with those of the annual financial statements for the year ended 31 December 2013 except that the Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and interpretations) issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2014.

### Change in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time which are pertinent to its operations and relevant to these unaudited condensed consolidated interim financial statements.

| | |
|---|---|
| HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* |
| HKAS 32 Amendments | Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* |
| HKAS 39 Amendments | Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC)-Int 21 | *Levies* |

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1 January 2014. The Group has not early adopted these new and revised HKFRSs.

## 3. REVENUE, OTHER INCOME AND GAINS

| | Six months ended 30 June 2014 *RMB'000* (unaudited) | 2013 *RMB'000* (unaudited) |
|---|---|---|
| Revenue: | | |
| Gross revenue | **505,314** | 462,830 |
| Less: sales related tax | **(27,704)** | (25,540) |
| | **477,610** | 437,290 |
| Other income and gains: | | |
| Bank interest income | **767** | 1,120 |
| Commission income# | **7,943** | 6,372 |
| Others | **2,390** | 2,653 |
| | **11,100** | 10,145 |

# 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**

During the Period, 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 | |
|---|---|---|---|---|---|---|---|---|
| | For the six months ended 30 June | | | | | | | |
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | **93,734** | 76,903 | **235,626** | 209,807 | **148,250** | 150,580 | **477,610** | 437,290 |
| Inter-segment sales | **–** | – | **5,489** | 2,932 | **–** | – | **5,489** | 2,932 |
| | **93,734** | 76,903 | **241,115** | 212,739 | **148,250** | 150,580 | **483,099** | 440,222 |
| *Reconciliation:* | | | | | | | | |
| Elimination of inter-segment sales | | | | | | | **(5,489)** | (2,932) |
| Revenue | | | | | | | **477,610** | 437,290 |
| **Segment results** | **10,050** | 4,419 | **22,043** | 12,588 | **15,684** | 14,699 | **47,777** | 31,706 |
| *Reconciliation:* | | | | | | | | |
| Interest income | | | | | | | **175** | 563 |
| Unallocated expenses | | | | | | | **(10,662)** | (12,703) |
| Profit before tax | | | | | | | **37,290** | 19,566 |

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 arising from restaurants 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, including Hong Kong and Macau.

## 5. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Directors' emoluments | **1,983** | 1,971 |
| Other staff costs | **112,012** | 108,477 |
| Pension scheme contributions | **8,743** | 8,487 |
| Total staff costs | **122,738** | 118,935 |
| Depreciation of items of property, plant and equipment | **26,688** | 23,772 |
| Amortisation of intangible assets | **749** | 709 |

## 6. INCOME TAX EXPENSE

Taxes on assessable profits 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% (six months ended 30 June 2013: 25%).

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current charge for the period – PRC | **8,454** | 4,903 |
| Deferred | **196** | (356) |
| | **8,650** | 4,547 |

## 7. DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Earnings: | | |
| Profit attributable to ordinary equity holders of the Company | **28,640** | 15,019 |
| | **Number of shares** | |
| Shares: | | |
| Weighted average number of ordinary shares in issue during the period | **418,709,420** | 416,376,188 |
| Effect of dilutive potential ordinary shares in respect of share options | **334,761** | 978,823 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **419,044,181** | 417,355,011 |

## 9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group's trading terms with its customers are mainly on credit with credit period ranging from 30 to 80 days. Each customer has a maximum credit limit. 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:

| | **As at 30 June 2014** | As at 31 December 2013 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Trade receivables: | | |
| Within 30 days | **8,010** | 7,554 |
| 31 to 60 days | **708** | 432 |
| 61 to 90 days | **291** | 551 |
| Over 90 days | **638** | 644 |
| | **9,647** | 9,181 |
| Prepayments | **16,958** | 13,008 |
| Deposits and other receivables | **4,808** | 2,198 |
| | **31,413** | 24,387 |

## 10. TRADE AND OTHER PAYABLES

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

| | **As at 30 June 2014** *RMB'000* **(unaudited)** | As at 31 December 2013 *RMB'000* (audited) |
|---|---|---|
| Trade payables: | | |
| Within 30 days | **37,107** | 36,332 |
| 31 to 60 days | **5,209** | 4,051 |
| 61 to 90 days | **877** | 1,568 |
| 91 to 180 days | **1,726** | 1,408 |
| Over 180 days | **2,790** | 2,830 |
| | **47,709** | 46,189 |
| Other payables and accruals | **17,919** | 23,205 |
| Salary and welfare payables | **28,163** | 22,423 |
| Receipts in advance | **51,063** | 50,692 |
| | **144,854** | 142,509 |

## 11. SHARE CAPITAL

| | **As at 30 June 2014** | | As at 31 December 2013 | |
|---|---|---|---|---|
| | ***HK$'000*** **(unaudited)** | ***RMB'000*** **equivalent (unaudited)** | *HK$'000* (audited) | *RMB'000* equivalent (audited) |
| Authorised: | | | | |
| 2,000,000,000 (31 December 2013: 2,000,000,000) ordinary shares of HK$0.10 (31 December 2013: HK$0.10) each | **200,000** | | 200,000 | |
| Issued and fully paid: | | | | |
| 419,569,000 (31 December 2013: 418,481,000) ordinary shares of HK$0.10 (31 December 2013: HK$0.10) each | **41,957** | **35,221** | 41,848 | 35,133 |

A summary of the transactions during the Period 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 2014 | 418,481,000 | 41,848 | 35,133 |
| Issue of shares on the exercise of options | 1,088,000 | 109 | 88 |
| At 30 June 2014 | 419,569,000 | 41,957 | 35,221 |

## INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Since China was more determined than ever to cut expenditure from the government and combat the spending of public funds on luxury items, a change in consumption patterns in the market was beyond doubt. Since 2013, change, reform and transformation are the challenges confronted by the food and beverage industry. Continuously to seize an array of opportunities presented by the re-adjustment of the market, and backed by solid business fundamentals, the Group positively mapped out reinforced business strategy in response to the changes in the market during the Period. While enhancing the efficiency of our business operation through highly effective cost control measures, we strived for higher market share by actively expanding our casual dining business. Thanks to all-out efforts on keeping abreast of the changing market since 2013, we made record-breaking achievements in results, as marked by a profit of RMB28.6 million during the Period, an over 90% surge when compared with RMB15.0 million for the six months ended 30 June 2013.

### Chinese Restaurant Business

In relation to our core business – Chinese catering business, during the Period, we operated 26 restaurants, two of which were newly opened in Shenzhen and Shanghai respectively. With our expertise in the broad realm of the food and beverage market in China, we timely adjusted our marketing strategies by introducing cuisine targeted on younger generation and priced at affordable level. To offer our customers access to fabulous dining experience and to boost customer traffic, we roll out new dishes with a variety of flavours, including spicy, curry and laksa cuisine as well as desserts. As a result, the overall customer traffic during the Period increased by 6% as compared with the corresponding period of last year. We also explored a flurry of business opportunities by launching a wide variety of promotional campaigns on different festivals, such as "Canadian Lobster Festival", free air ticket draw to Canada at "Lobster Dinner" and "Good Day Campaign". Besides, we enhanced the efforts of electronic online sales and cooperated with online stores to offer take-out service and sales of seasonal gifts. In addition, we utilised various channels, including online platforms like "淘點點" (dd.taobao.com), "WeChat" and "大眾點評網" (dianping.com), in our promotional campaigns so as to penetrate different groups of customers. The launching of the new membership card scheme since 2013 has served us well in attracting more than 80,000 new members and the Group will continue to boost customers' loyalty. We expanded into the wedding banquet market, another source of income increment for us. In line with this market, we opened a new restaurant in Shenzhen during the Period. Within six months from the opening of the restaurant, the accumulated sales amount in banquet reached RMB4.4 million. Fuelled by a series of marketing strategies, the sales in Chinese dining business during the Period grew by 7% over last year on period-over-period basis.

What is more, the Group actively enhanced its efficiency. We worked intensively on expanding bulk purchase with sizeable suppliers such as COFCO and Yihai Kerry (益海嘉里), supplying our stores across the country with part of the seafood, frozen goods, meat and grain, etc. Building on our existing resources, we actively tapped into the processing of finished products and semi-finished products such as sauces in our food production plant, in order to beef up the production efficiency of our restaurants. The Group endeavoured to gather unique food ingredients from both domestic and foreign sources, as a realisation of the principle of "exclusive and superior offerings". The Group arranged for direct purchase from such sources to cut ingredient costs effectively. Meanwhile, we boosted efficiency by putting in place an efficiency evaluation system in earlier years to maintain a reasonable level of output value per capita. On top of this, we continuously put effort on exacting lower expenditure. During the Period, administrative expenses on Chinese catering business decreased by 18% as compared with the same period last year, a proven testimony to the increased efficiency in our overall business operation.

**Casual Dining Business**

Casual dining business will continue to give fresh impetus to our future business growth and portfolio expansion. Operating 22 restaurants in Beijing, Tianjin and Shanghai as at 30 June 2014, Pepper Lunch has been carving out a ever-higher niche in Beijing, Tianjin and Shanghai. In this light, we spent greater intensity of promotional efforts to build Pepper Lunch into a brand with enhanced awareness. During the Period, with our time-to-market capabilities, we expanded into wider customer base by carrying out promotional activities themed on different festivals and targeted at consumers of different ages, such as couple packages, free couple photo printing, parent-child cooking activities, ladies' concessions and the World Cup quiz. During the Period, the overall revenue of Pepper Lunch rose by 30% over the same period of last year. Moreover, the turnover of some of the restaurants with an operating history of two years or above recorded double digit same-store growth during the Period.

PappaRich operates three restaurants in Shanghai as at 30 June 2014, garnering exceptional market responses. In view of this, we further extended our reach into different customer groups in a more youthful and refreshed image and with new style of dishes and brand new cuisine. Signature dishes such as "Nasi Ayam", "Kari Ayam Laksa" and "Nasi Sultan" have been warmly received ever since their launch. Meanwhile, we made use of the wide coverage of the internet to run advertising and promotional campaigns on popular websites. The simultaneous activities on different fronts enhanced PappaRich's revenue to our satisfaction. The same store growth of our first PappaRich restaurant which was opened in May 2013 exceeded 20%.

**Outlook and Prospect**

We are confident that we manage to stay in the top spot amid the fierce competition in the market. With our business expertise in high-quality food and beverage over the years, we will remain unwaveringly committed to developing a diversified mix of food and beverage business and providing impressive dining experience for customers. The Group will adjust its business model as appropriate by staying ahead of the market demand, and organise regular food festivals and themed campaigns to attract more customers and continue to generate greater sources of revenue. We will also further lift up our effectiveness in multi-facet spectrums, stretching from the enhancement of cost efficiency of staff and the optimization of processes through introduction of a mobile self-service ordering system, the continued expansion and enhancement of bulk procurement, the improvement of production efficiency through research on frozen food technology, to the stabilization of various operating costs.

Furthermore, with a focus on expanding PappaRich casual dining business, as announced in our announcement dated 17 July 2014, we entered into a joint venture and shareholders' agreement on 17 July 2014 with Shin Yeh Restaurant Group Inc.* (欣葉國際餐飲股份有限公司) of Taiwan, whereby both parties teamed up to open PappaRich restaurant in Taiwan. In addition, the Group announced on 29 July 2014 that we are in the course of negotiating with a well-known restaurant group in Hong Kong on possible cooperation in bringing international brands such as PappaRich to the territory, reflecting our dedication to reaching new horizons of business expansion in Greater China region. While raising our business target to new high by collaborating with outstanding partners within and outside China, we will replicate our ingrained success in food culture in Hong Kong by making an initial move to open restaurants under a new self-owned brand in Hong Kong this year. In our strong belief, well-served by a well-established foundation, we will be well-poised to meet myriad challenges ahead. With adherence to service excellence, we will move forward and add immense momentum to our long-term sustainable growth, thus yielding prominent returns for our shareholders.

**Financial Review**

*Revenue and cost of inventories consumed*

The Group's revenue for the Period increased by RMB40.3 million, or by 9.2%, from RMB437.3 million for the six months ended 30 June 2013 to RMB477.6 million. Such change was attributable to the opening of additional restaurants, as well as the Group's effort in maintaining stable customer traffic by adjusting menus and launching different promotions.

Cost of inventories consumed as a percentage of revenue decreased from 41.9% for the six months ended 30 June 2013 to 40.5% for the Period, revealed the Group's elevated efficiency in procurement and production.

* *For identification purpose only*

As at 30 June 2014, the Group is operating 52 restaurants. The table below illustrates the number of restaurants by major brands, together with the average spending per customer and percentage of revenue to the Group:

| **Brand** | **No. of restaurants as at 30 June** | | **Average spending per customer as at 30 June** | | **Percentage of revenue contributed to the Group as at 30 June** | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Tang Palace * | **21** | 18 | **139.3** | 138.2 | **75.8%** | 77.3% |
| Tang's Cuisine | **5** | 5 | **301.7** | 303.0 | **13.9%** | 14.5% |
| Pepper Lunch | **22** | 20 | **42.6** | 39.7 | **8.0%** | 6.8% |
| PappaRich | **3** | 1 | **64.4** | 65.3 | **1.5%** | 0.1% |

* *including Tang Palace Seafood Restaurant, Excellent Tang Palace and Tang Palace Restaurant*

*Operating expenses*

The overall operating expenses for the Period decreased as a percentage of revenue. Staff cost reduced from 27.2% to 25.7%, as a result of the Group's effort in uprising staff efficiency and increasing number of internship staff. Depreciation of items of property, plant and equipment increased from 5.4% for the six months ended 30 June 2013 to 5.6% for the Period, rental and related expenses increased from 9.6% for the six months ended 30 June 2013 to 10.1% for the Period, both mainly attributable by the increased number of new restaurants. Utilities and consumables reduced by 0.2%, due to the effective cost control policies.

*Income tax expense*

The effective tax rate maintained as 23.2% as a result of continuous efficient tax planning during the Period.

*Profit attributable to owners of the Company for the Period*

The Group's profit attributable to owners of the Company for the Period increased by 90.7% from RMB15.0 million to RMB28.6 million. The net profit margin for the Period increased from 3.4% to 6.0%, mirrored the Group's effort to improve efficiency.

*Cash flow*

Cash and cash equivalents increased by RMB8.9 million from RMB234.0 million as at 31 December 2013 to RMB242.9 million as at 30 June 2014.

Net cash of RMB53.8 million was generated from operating activities for the Period. Net cash used in investing activities amounted to RMB23.4 million for the Period, of which RMB26.9 million related to the purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB21.4 million during the Period, including dividend paid amounting to RMB22.2 million.

**Liquidity and Financial Resources**

The Group's funding and treasury activities are managed and controlled by the senior management. The Group maintained cash and cash equivalents of RMB242.9 million as at 30 June 2014 (31 December 2013: RMB234.0 million). As at 30 June 2014, the Group's total assets, net current assets and net assets were RMB533.4 million (31 December 2013: RMB522.4 million), RMB177.0 million (31 December 2013: RMB166.6 million) and RMB379.8 million (31 December 2013: RMB372.4 million), respectively.

As at 30 June 2014, the Group had no bank borrowings (31 December 2013: Nil). The gearing ratio was nil as at 30 June 2014 (31 December 2013: Nil).

As at 30 June 2014, the current ratio (current assets divided by current liabilities) was 2.2 (31 December 2013: 2.1).

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 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 30 June 2014, the directors considered the Group's foreign exchange risk to be insignificant. During the Period, the Group did not use any financial instruments for hedging purposes.

## OTHER INFORMATION

**Number and Remuneration of Employees**

As at 30 June 2014, 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 and performance related bonus.

**Contingent Liabilities**

As at 30 June 2014, the Group did not have any material contingent liabilities.

**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.

**Corporate Governance Code**

The Board is of the opinion that the Company has complied with all the code provisions as set out in the corporate governance code contained in Appendix 14 to the Listing Rules throughout the Period.

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

**Audit Committee**

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

**Publication of Interim Results and Interim Report**

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

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

**Appreciation**

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

By order of the Board
**Tang Palace (China) Holdings Limited**
**YIP Shu Ming**
*Chairman*

Hong Kong, 28 August 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* |