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 2014

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 2014 ("**FY2014**"), together with comparative figures for the year ended 31 December 2013 ("**FY2013**") as follows:

HIGHLIGHTS

	For the year ended 31 December		Increase/ (Decrease) in
	2014	2013	%
Revenue			
RMB'000	**989,048**	902,420	
*HKD'000 equivalent**	***1,236,310***	*1,128,025*	9.6%
Profit attributable to owners of the Company			
RMB'000	**53,200**	36,853	
*HKD'000 equivalent**	***66,500***	*46,066*	44.4%
Basic earnings per share			
RMB cents	**12.69**	8.83	
*HKD cents equivalent**	***15.86***	*11.04*	43.7%
Proposed Final Dividend			
– per ordinary share	**HK9.5 cents**	HK6.6 cents	43.9%
No. of restaurants at 31 December	**58**	50	

* *For illustrative purpose only, HKD1: RMB0.8 currency conversion rate is adopted here.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	3	**989,048**	902,420
Other income	3	**25,861**	20,627
Cost of inventories consumed		**(402,840)**	(380,162)
Staff costs		**(256,279)**	(237,601)
Depreciation of items of property, plant and equipment		**(55,812)**	(49,785)
Utilities and consumables		**(58,153)**	(51,525)
Rental and related expenses		**(105,918)**	(88,123)
Other expenses		**(68,619)**	(65,572)
Finance costs	5	**(197)**	(282)
PROFIT BEFORE TAX	6	**67,091**	49,997
Income tax expense	7	**(14,891)**	(13,144)
PROFIT FOR THE YEAR		**52,200**	36,853
Attributable to:			
Owners of the Company		**53,200**	36,853
Non-controlling interests		**(1,000)**	–
		52,200	36,853
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic (RMB)		**12.69 cents**	8.83 cents
Diluted (RMB)		**12.69 cents**	8.81 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**52,200**	36,853
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**	(772)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**52,224**	36,081
Attributable to:		
Owners of the Company	**53,224**	36,081
Non-controlling interests	**(1,000)**	–
	52,224	36,081

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**167,910**	156,560
Intangible assets		**10,378**	11,513
Deposits		**28,812**	34,192
Deferred tax assets		**5,897**	4,763
Total non-current assets		**212,997**	207,028
CURRENT ASSETS			
Inventories		**36,288**	29,520
Trade and other receivables and prepayments	*10*	**24,559**	24,387
Pledged time deposit		**25,000**	–
Time deposits		**25,543**	27,445
Cash and cash equivalents		**273,357**	234,035
Total current assets		**384,747**	315,387
CURRENT LIABILITIES			
Trade and other payables	*11*	**166,679**	142,509
Amount due to a related company		**1,649**	4,258
Interest-bearing bank borrowing		**22,160**	–
Tax payable		**2,990**	2,054
Total current liabilities		**193,478**	148,821
NET CURRENT ASSETS		**191,269**	166,566
TOTAL ASSETS LESS CURRENT LIABILITIES		**404,266**	373,594
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**950**	1,177
Net assets		**403,316**	372,417
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**35,221**	35,133
Reserves		**368,095**	336,284
		403,316	371,417
Non-controlling interests		**–**	1,000
Total equity		**403,316**	372,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL INFORMATION

Tang Palace (China) Holdings Limited was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability 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 on 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**") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in section 76 to 87 of Schedule 11 to that Ordinance. The financial statements 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 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendments to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendments to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendments to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendments to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

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

3. REVENUE AND OTHER INCOME

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 and other income is as follows:

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Gross revenue	**1,045,700**	954,736
Less: sales related tax	**(56,652)**	(52,316)
	989,048	902,420
Other income		
Bank interest income	**2,673**	2,763
Commission income#	**16,947**	13,681
Others	**6,241**	4,183
	25,861	20,627

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	
	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	**196,581**	151,545	**492,528**	440,038	**299,939**	310,837	**989,048**	902,420
Inter-segment sales	**–**	–	**22,353**	10,084	**–**	–	**22,353**	10,084
	196,581	151,545	**514,881**	450,122	**299,939**	310,837	**1,011,401**	912,504
Reconciliation:								
Elimination of inter-segment sales							**(22,353)**	(10,084)
Revenue							**989,048**	902,420
Segment results	**18,966**	10,213	**44,495**	29,268	**28,756**	33,570	**92,217**	73,051
Reconciliation:								
Interest income							**471**	1,105
Unallocated expenses							**(25,400)**	(23,877)
Finance costs							**(197)**	(282)
Profit before tax							**67,091**	49,997
Other segment information:								
Depreciation of items of property, plant and equipment	**11,791**	10,195	**26,719**	23,187	**16,901**	16,118	**55,411**	49,500
Amortisation of intangible assets	**–**	–	**567**	625	**172**	223	**739**	848
Impairment of items of property, plant and equipment	**–**	–	**–**	–	**–**	538	**–**	538
Capital expenditure*	**24,578**	3,402	**31,521**	40,883	**10,219**	13,982	**66,318**	58,267

* 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, including Hong Kong and Macau.

5. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**197**	282

6. PROFIT BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**55,812**	49,785
Amortisation of intangible assets	**1,500**	1,592
Impairment of items of property, plant and equipment	**–**	538
Minimum lease payments under operating leases of land and buildings	**88,895**	72,750
Contingent rents under operating leases*	**1,110**	978
Auditors' remuneration	**960**	960
Directors' remuneration	**4,317**	3,885
Employee benefit expense excluding directors' and chief executive's remuneration:		
Wages and salaries	**232,598**	213,569
Equity-settled share option expense	**110**	593
Equity-settled share award plan expense	**–**	1,396
Pension scheme contributions (defined contribution scheme)^	**19,254**	18,158
	251,962	233,716
Foreign exchange differences, net	**(76)**	(1,131)

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

^ At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2013: 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% (2013: 25%).

	2014	2013
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**16,252**	11,748
Deferred	**(1,361)**	1,396
Total tax charge for the year	**14,891**	13,144

8. DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Proposed final – HK9.5 cents (2013: HK6.6 cents) per ordinary share	**31,887**	22,096

9. EARNINGS PER SHARE

The calculation of the basic earnings per share amount 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 419,142,742 (2013: 417,378,485) in issue during the year.

The calculation of diluted earnings per share amount 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:

	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**53,200**	36,853

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year	**419,142,742**	417,378,485
Effect of dilution – weighted average number of ordinary shares in respect of share options	**176,862**	696,595
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**419,319,604**	418,075,080

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**10,291**	9,181
Prepayments	**12,577**	13,008
Deposits and other receivables	**30,503**	36,390
	53,371	58,579
Less: Deposits classified as non-current assets	**(28,812)**	(34,192)
	24,559	24,387

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

	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**8,022**	7,554
31 to 60 days	**707**	432
61 to 90 days	**382**	551
Over 90 days	**1,180**	644
	10,291	9,181

11. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**52,951**	46,189
Other payables and accruals	**31,694**	23,205
Salary and welfare payables	**25,850**	22,423
Receipts in advance	**56,184**	50,692
	166,679	142,509

11. TRADE AND OTHER PAYABLES *(Continued)*

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

	2014	2013
	RMB'000	*RMB'000*
Within 30 days	**42,168**	36,332
31 to 60 days	**4,782**	4,051
61 to 90 days	**1,630**	1,568
91 to 180 days	**1,869**	1,408
Over 180 days	**2,502**	2,830
	52,951	46,189

12. SHARE CAPITAL

	2014		2013	
	HK$'000	***RMB'000* equivalent**	*HK$'000*	*RMB'000* equivalent
Authorised:				
2,000,000,000 (2013: 2,000,000,000) ordinary shares of HK$0.10 (2013: HK$0.10) each	**200,000**		200,000	
Issued and fully paid:				
419,569,000 (2013: 418,481,000) ordinary shares of HK$0.10 (2013: HK$0.10) each	**41,957**	**35,221**	41,848	35,133

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**	**Issued capital**
		HK$'000	*RMB'000* equivalent
At 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 and 1 January 2014	418,481,000	41,848	35,133
Issue of shares on the exercise of share options	1,088,000	109	88
At 31 December 2014	419,569,000	41,957	35,221

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Stable Development for Catering Market after Recovery from Adversity

Following a volatile 2013, China's catering industry entered 2014 amid reforms centering on continuous transformation and innovation. When compared to 2013, in which the general consumption sentiment was hampered by austerity measures from the Chinese government, catering industry experienced stable development in 2014. According to the National Bureau of Statistics, the annual income of catering industry amounted to RMB2,786.0 billion, representing a year-on-year increase of 0.7% over 2013 to 9.7%. The growth of income also recovered from a declining trend for the first time in three years, indicating a new prospect of moderate and sustainable development for catering industry.

Diversification Strategy as a Trend

Despite the apparent revival of catering market from severe environment in 2012 and 2013, there has been a shift of market consumption pattern and focus. Previously dependent on high-end business consumption activities, the market now concentrates on spending from the general public, such as family dining and social activities. Prominent catering enterprises are actively adjusting their structure, with unique strategies to increase profit by boosting customer flow, expanding markets and customer base.

Forward-looking Strategy to Consolidate Market Presence

Faced with a brand new development for catering industry, we, leveraging our industry experience and progressive vision as usual, were keen to refine our strategy in accordance with the market. Each of our major brands introduced new dishes and menus with affordable prices to appeal to the local market. This move catered for the demands from the middle-class and younger consumers and capitalised the chance to strengthen brand recognition and expand market share. Advanced OtoO (online to offline) marketing is another essential sector, considering that it allowed quick information dissemination and online marketing is now a common practice in the spending pattern of the general public. We gradually launched various online and offline modes of e-commerce to attract more customers. Besides diversifying income streams, we also continued to enhance cost-control policies and efficiency and expand the scope of bulk procurement to control costs. A number of new management systems were adopted to reduce manual control, resulting in enhanced operating efficiency and minimised pressure from rising labour costs.

Casual Chinese Dining as a New Attraction upon Grand Return to Hong Kong

In 2014, leveraging years of successful operation experience of quality catering service in China, we introduced a brand new casual dining brand in Hong Kong to bring our unique food culture back to Hong Kong. "Social Place", a stylish Chinese restaurant for casual dining, was well-received after its opening in October 2014. With distinctive decorations and utensils and its signature dish "Truffle Shiitake Bun", the restaurant became a favourite on social networks and was under the spotlight of various media.

Pivot on China with Global Vision

The Group aspires to become an international catering enterprise through continuous development. In this regard, we introduced Pepper Lunch and PappaRich some years ago. Moreover, we are developing our market presence by increasing our market share in China and actively expanding in foreign markets, for which we continued to identify outstanding partners from overseas in recent years. Following this approach, we entered into a joint venture and shareholders' agreements in July and December 2014 with Shin Yeh Restaurant Group Inc.* (欣葉國際餐飲股份有限公司)("**Shin Yeh**") from Taiwan and Beppu Group Limited (別府集團有限公司)("**Beppu**") respectively. The Group intended to introduce its casual dining brands to Taiwan and Hong Kong through partnerships with sizable local catering enterprises. We are actively preparing for the opening of restaurants with our partners and expect to reveal our casual dining brands to customers in Taiwan and Hong Kong in 2015.

CHINESE RESTAURANT BUSINESS

As at 31 December 2014, we operated 27 Chinese restaurants, 3 of which were newly opened in Shenzhen and Shanghai respectively. One of our key objectives for the year was to stabilise customer flow. A myriad of new dishes, with the aid of festive promotions and marketing, was launched during the year in order to cater for customers' pursuit of novelty. Besides, elements from different cultures were fused with our dishes, such as Malaysian curry and laksa, Sichuan spice, etc., while the cooperation with Shin Yeh allowed us to bring in Taiwan dishes, resulting in excellent customer feedback. In addition to promotions based on various Chinese and Western festivals throughout the year, the Group also organised food festivals to attract more customers. For example, "Shin Yeh Taiwan Food Festival", as the pioneering campaign held in one of our restaurant in Shanghai, sold over 3,000 dishes and contributed to almost 30% of the restaurant's revenue in just 10 days, while "Canadian Lobster Festival" recorded satisfactory sales in different regions. With the contribution of the 3 new restaurants, and a wide range of marketing strategies, the customer flow improved in Northern China, Eastern China and Southern China by 3.8%, 12.2% and 7.7%, respectively.

In an era dominated by e-commerce, brand promotion and product sales can extensively penetrate into the general public in a quick fashion. We also utilised online platforms, such as "淘點點" (dd.taobao.com) and "大眾點評網" (dianping.com), to organise diversified promotional sales from time to time. However, we will not stop at ordinary online sales model. In light of the development trend of electronic payment, we cooperated with "WeChat" under Tencent Group and first performed a test run of "WeChat Ordering and Payment" in some stores in 2014, with an aim to enhance efficiency of ordering and payment during peak hours. Customers were impressed by the simple and convenient user interface of the application. Moreover, we intended to utilise WeChat, a platform with 500 million active users, as a mean to expand our customer base. "WeChat Ordering and Payment" will be progressively implemented in each store in 2015, which is expected to boost overall operating efficiency.

* *For identification purpose only*

Besides, the Group diversified its income sources as part of its strategy to increase sales. Membership card scheme remained the key to attracting new customers and strengthening loyalty. During the year, our new members nearly reached 40,000 in number, and we will continue to promote such scheme. Numerous take-away counters were set up in stores in every region to sell take-away products, including dim sum and desserts, in different periods. Various modes were complemented by local featured promotions, including breakfast take-away and lunchbox targeting white-collar workers who want to save time, or free tasting events in shopping malls, to attract customers and boost sales. In addition, we vigorously developed catering delivery service and started negotiation with our neighbouring business community to design working meals and delivery services, or cooperated with online stores such as “daojia.com.cn”.

We are also keen on enriching the types of take-away gift box by the additions of special seasonal fruit, such as Ganbei orange and winter jujube, healthy food such as black garlic, and other domestic and foreign products. Take-away frozen food was successfully developed in 2014 and was immediately rolled out to market in 2015. Through unyielding research and development efforts on essential festive dishes for Chinese New Year, we were able to produce packed frozen food in its food processing plant. Customers may now take home exquisite cuisines that are typically available in restaurants only and enjoy it after heating. In recent years, we have been actively exploring the banquet market. As predicted several years ago, the development of banquet market is increasingly robust, generating enormous market demands. In response, other than eager participation at banquet exhibitions, we will gradually integrate elements of professional themed banquet decorations into the environment of new stores and renovation of existing stores. For example, during the year, we established a banquet-themed flagship restaurant in Shenzhen. It could cater for a banquet of more than 70 tables with an area of some 20,000 sq. ft and recorded an annual aggregate sales of banquet exceeding RMB16.0 million. The Group’s turnover from banquet for the year amounted to over RMB78.0 million, with a steady increase in sales of banquet recorded in every region.

Casual Dining Business

As of 31 December 2014, there were in total 24 outlets under Pepper Lunch in Beijing, Tianjin and Shanghai. As the first casual dining business introduced by the Group, Pepper Lunch is growing toward maturity which signals that the current year is a proper timing for a management review of each outlet. We will concentrate on strengthening and fortifying the recognition for the brand among targeted customers. During the year, Pepper Lunch implemented advertisements and brand promotions in accordance to youngsters’ favourite activities and festivals, such as Valentine’s Day and the World Cup, and continued to enhance its promotion campaign on WeChat and Weibo. During the year, the follower count of Pepper Lunch’s Weibo and WeChat exceeded 100,000. Revenue from Pepper Lunch for the year amounted to RMB80.6 million. Compared to last year, the Northern China region recorded a growth of 17.3%, while the Shanghai region recorded a growth of over 30%.

We leveraged on the experience from operating Pepper Lunch and focused on the development of its self-owned brand PappaRich and other casual dining business. As at 31 December 2014, there were five restaurants operating under PappaRich, two of which are new shops located in Shanghai and one of which was opened in Beijing in December 2014, being the first PappaRich restaurant in Beijing. Located at the famous Xihongmen Shopping Centre, the restaurant distinguishes itself from other outlets with a stylish and simple design. The Group also overhauled the menu of PappaRich to include a few popular dishes for young customers. Highlighted by a single store turnover record of over RMB60,000 in the first week after opening, the Beijing outlet's performance was satisfactory. In general, PappaRich business displayed satisfactory performance.

In October 2014, we opened the first "Social Place" under its self-owned brand in the central business district of Central in Hong Kong. Its menu comprises signature dishes from Tang Palace, including "Truffle Shiitake Bun" and the award winning dish "Signature Roasted Pigeon" with a record of over 1,000 units sold daily at a single store. Concentrating on stylish and casual dining, the Chinese restaurant is characterised by innovative decorations, unique utensils, refined food appearance and healthy cooking style, which appeal to the market of younger generations. "Social Place" became a local favourite soon after its grand opening. It was named in the "Top 10 Restaurants" on Openrice.com for two consecutive months and was chosen as the "Restaurants of the Year" by several magazines.

Riding on the success of the above-mentioned multi-dimensional marketing strategies as a whole, we posted a revenue of RMB989 million during the year, representing an increase of 9.6% over the corresponding period in 2013.

Pursuit of higher efficiency and stronger cost control

In addition to the increase in revenue, the management team at the headquarters of the Group stepped up its support to each region and outlet in terms of human resources, training, logistics and customer service, with a view to boosting the profitability and competitiveness of outlets. We exercised tighter control over costs and will, as usual, maintain close co-operation with sizeable suppliers to gradually expand the food items under bulk purchase arrangements. Apart from seafood, frozen food, meat, grain and oil, the purchase list now also contains seasonal fruits, alcoholic drinks and beverages, spices and seasonings, and non-food materials. For the year ended 31 December 2014, with bulk purchase under effective supply chain management and control of food ingredient consumption, our gross profit margin increased from 57.9% in FY2013 to 59.3% in FY2014. Our another goal for this year was to tap into the processing of finished products and semi-finished products in food production plants through efficient utilisation of its existing resources. To this end, we succeeded to introduce the frozen food product line during the year and, the first item was the "Spring Festival takeaway meal set", and we are hopeful that more types of frozen takeaway products will be available in the coming year so that the sale figures could be enhanced. Moreover, in attempting to further improve the efficiency of our restaurants, we introduced a centralised menu during the year. The menu came into full effect initially in Northern and Eastern China, which helped shorten the time for restaurants in taking customers' orders. In early 2015, restaurants in Southern China will also join the online platform, thereby completing the ongoing online process for all restaurants in the PRC. Thanks to our effective long-term cost control measures, as well as an internal reshuffle of various functions within the Group resulted from the performance assessment system adopted earlier, staff cost was kept at a consistent level and the percentage of staff cost to total revenue decreased from 26.3% to 25.9% as at 31 December 2014, when compared to the corresponding period last year.

Outlook and Prospect

We expect the catering industry will still be confronted with enormous challenges ahead in 2015, with operating cost to remain stiffly high. We will adhere to our principle in delivering a wide variety of high quality dining services to customers, and will adopt flexible strategies and be responsive to market development. As usual, we will strive to attain steady development in the Chinese restaurant business, and will look for new sources of revenue in this segment. We are actively exploring ways to sell our "takeaway" food products in supermarkets, and are pressing on our effort in developing more frozen "takeout" food products, with an aim to increase revenue. Moreover, in light of growing demand in the banquet market, we plan to re-launch our group's brand image and deploy more resources on staff training, as well as to unify our designs in promotional materials, thereby establishing a stronger and more distinct "banquet expert" image that can eventually be translated into more revenue from the banquet operation. On the other hand, following our effort in prior years in building up our brand and shoring up our reputation among first-tier cities, we are contemplating to tap into second-tier cities in 2015, to explore regions where consumer markets are of considerable potential, so that our customer base would be broadened.

Enhancing our efficiency has always been, and will remain, an important strategy that we persevere in. In this regard, we will continue to expand the scope of our bulk purchase in order to cope with the rising food ingredient costs, and will adopt advanced system to better manage our supply sources, thereby giving a stronger assurance on food safety. The "WeChat Ordering and Payment" service will be extended to all our restaurants in the PRC. This will be followed by the proposed development of online booking. These initiatives should help our restaurants to enhance their efficiency in various ways.

We are encouraged to see our casual dining business grow and mature, and we have decided to further expand our presence in this business segment. In 2015, we will work fervently in planning and setting up casual dinning restaurants in Taiwan and Hong Kong. The initial success of Social Place has boosted our confidence in further expanding that business. We are currently searching for suitable locations in Hong Kong for opening outlets and such new business model will be replicated in the PRC or overseas. Our another new original simple dining brand, characterised by the advantages of small investment requirement, quick development and short payback period, is expected to be available to launch in 2015.

While there are numerous uncertainties affecting the catering industry, the management has strong conviction in overcoming the challenges and rewarding shareholders with continuous profits relying on our extensive experience, forward-looking strategies, competent management team and consistently effective cost control policies.

Financial Review

Revenue and operating expenses

The Group's revenue for FY2014 increased by RMB86.6 million, or by 9.6%, from RMB902.4 million for FY2013 to RMB989.0 million. Chinese restaurants remain to be the Group's major income source. Such increase was attributable to the opening of new restaurants, as well as the series of regional promotional activities pin pointed different customer groups across the country during the year. The revenue of Southern China has gone up by 27.2%, mainly contributed by the opening of the wedding banquet themed flagship restaurant in Shenzhen, and the continuous strong growth of Tang's Cuisine in Macau. The revenue in Eastern China reached a 8.1% growth, mainly contributed by the heightened efficiency of the Chinese restaurants opened in 2013, as well as the new restaurants opened in 2014. The revenue of Northern China was declined by 8.1%, with customer flow increased by 3.8%. This reflected the Group's effort in stabilizing customer flow to compensate the continuous shrinkage in customer spending.

Our regional casual dining business also recorded outstanding performance. Pepper Lunch in Northern China and Eastern China recorded 17.3% and 30.9% of revenue growth respectively, which was mainly attributed to the operational efficiency attained by restaurants opened in 2013 and new restaurants opened in 2014. PappaRich was widely recognized and under which 3 more branches opened in the year. Revenue arising from the brand doubled as compared to last year.

The operating efficiency of the Group has improved. Cost of inventories consumed as a percentage of revenue declined from 42.1% to 40.7%, benefited from the Group's persistent effort in expanding the central procurement, especially in the Eastern China where the plan has first adopted. The cost of inventories for the region as a percentage of revenue during the year in the Eastern China reduced by 2.8%. Staff cost as a percentage of revenue reduced from 26.3% to 25.9%, indicating the Group's effort in controlling the continuously uprising staff cost by all means, including new management systems to evaluate and uplift performance efficiency, and the restructure of the front line operation and the office staff overhead. As a percentage of revenue, depreciation of items of property, plant and equipment; utilities and consumables both remain stable; rental and related expenses as a percentage or revenue increased from 9.8% to 10.7%. Other expenses lessened from 7.3% to 6.9%.

As at 31 December 2014, the Group is operating 58 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 31 December**		**Average spending per customer as at 31 December**		**Percentage of revenue contributed to the Group as at 31 December**	
	2014	2013	**2014** *RMB*	2013 *RMB*	**2014**	2013
Tang Palace*	**22**	19	**137.2**	137.1	**75.5%**	76.4%
Tang's Cuisine	**5**	5	**294.8**	296.6	**13.2%**	14.2%
Pepper Lunch	**24**	22	**42.7**	40.3	**8.1%**	7.5%
PappaRich	**5**	2	**62.3**	62.7	**2.0%**	0.5%
Social Place	**1**	–	**139.3**	–	**0.4%**	–

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

Income tax expense

Income tax expense for the year increased by RMB1.8 million from RMB13.1 million to RMB14.9 million. The Group's effective income tax rate decreased from 26.3% to 22.2% as a result of continuous efficient tax planning during the year.

Profit attributable to owners of the Company for the year

The Group's profit attributable to owners of the Company increased by RMB16.3 million from RMB36.9 million to RMB53.2 million. The net profit margin for the year increased from 4.1% to 5.4%.

Cash flow

Cash and cash equivalents increased by RMB39.4 million from RMB234.0 million as at 31 December 2013 to RMB273.4 million as at 31 December 2014.

Net cash of RMB126.6 million was generated from operating activities for FY2014. Net cash used in investing activities amounted to RMB88.0 million for FY2014, of which RMB67.5 million related to the purchase of items of property, plant and equipment and RMB25.0 million related to a pledged time deposit. Net cash from financing activities amounted to RMB0.7 million, including dividend paid amounting to RMB22.2 million, offset by a new bank borrowing of RMB22.2 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 RMB323.9 million as at 31 December 2014 (31 December 2013: RMB261.5 million). As at 31 December 2014, the Group's total assets, net current assets and net assets were RMB597.7 million (31 December 2013: RMB522.4 million), RMB191.3 million (31 December 2013: RMB166.6 million) and RMB403.3 million (31 December 2013: RMB372.4 million), respectively.

As at 31 December 2014, the Group's had a bank borrowing of RMB22.2 million (31 December 2013: Nil). The gearing ratio was 5.5% as at 31 December 2014 (31 December 2013: Nil).

As at 31 December 2014, the current ratio (calculated as current assets divided by current liabilities) was 2.0 (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 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 2014, 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 2014, the Group had around 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

The Group's capital commitment were approximately RMB2.8 million and RMB6.6 million as at 31 December 2014 and 31 December 2013, respectively.

Charge on Group's Assets

As at 31 December 2014, the Group had pledged a time deposit of RMB25.0 million for a banking facility amounting to RMB22.4 million (31 December 2013: Nil).

Contingent Liabilities

As at 31 December 2014, 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 Ping Man, Mr. KWONG Chi Keung and Mr. CHEUNG Kin Ting Alfred.

The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2014.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 5 June 2015 (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 HK9.5 cents per share, representing 60.0% as payout ratio, payable to shareholders of the Company whose names appear on the register of members of the Company on 12 June 2015. 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 2014 with its shareholders by way of a higher dividend payout. Subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on 5 June 2015, the final dividend will be paid on or before 31 July 2015.

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 1 June 2015 to 5 June 2015 (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 29 May 2015.

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 2014 (if approved), the register of members of the Company will be closed from 11 June 2015 to 12 June 2015 (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 2014 (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 10 June 2015.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual 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 annual 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 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, 30 March 2015

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*