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 2015

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 2015 ("**FY2015**"), together with comparative figures for the year ended 31 December 2014 ("**FY2014**") as follows:

HIGHLIGHTS

	For the year ended 31 December		Increase/ (Decrease) in
	2015	2014	%
	RMB'000	*RMB'000*	
Revenue	**1,088,147**	989,048	10.0%
Revenue from operation transferred to joint ventures in 2015	**–**	19,688	
Revenue from core operation	**1,088,147**	969,360	12.3%
Profit for the year	**48,589**	52,200	-6.9%
Equity-settled share option/share award plan expense	**4,720**	110	
Adjusted profit for the year	**53,309**	52,310	1.9%
Basic earnings per share RMB cents	**11.53**	12.69	-9.1%
Proposed Final Dividend – per ordinary share	**HK10.9 cents**	HK9.5 cents	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
Revenue	*3*	**1,088,147**	989,048
Other income	*3*	**29,486**	25,861
Cost of inventories consumed		**(434,745)**	(402,840)
Staff costs		**(302,455)**	(256,279)
Depreciation of items of property, plant and equipment		**(57,200)**	(55,812)
Utilities and consumables		**(62,515)**	(58,153)
Rental and related expenses		**(117,226)**	(105,918)
Other expenses		**(75,964)**	(68,619)
Finance costs	*5*	**(509)**	(197)
Share of losses of joint ventures		**(2,435)**	–
PROFIT BEFORE TAX	*6*	**64,584**	67,091
Income tax expense	*7*	**(15,995)**	(14,891)
PROFIT FOR THE YEAR		**48,589**	52,200
Attributable to:			
Owners of the Company		**48,589**	53,200
Non-controlling interests		**–**	(1,000)
		48,589	52,200
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic (RMB cents)		**11.53**	12.69
Diluted (RMB cents)		**11.53**	12.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**48,589**	52,200
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	**(1,225)**	24
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**47,364**	52,224
Attributable to:		
Owners of the Company	**47,364**	53,224
Non-controlling interests	**–**	(1,000)
	47,364	52,224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**159,948**	167,910
Intangible assets		**13,060**	10,378
Investments in joint ventures		**9,574**	–
Deposits		**28,451**	28,812
Deferred tax assets		**8,998**	5,897
Total non-current assets		**220,031**	212,997
CURRENT ASSETS			
Inventories		**40,609**	36,288
Trade and other receivables and prepayments	10	**34,247**	24,559
Due from joint ventures		**1,703**	–
Pledged time deposits		**68,000**	25,000
Time deposits		**36,954**	25,543
Cash and cash equivalents		**297,873**	273,357
Total current assets		**479,386**	384,747
CURRENT LIABILITIES			
Trade and other payables	11	**202,157**	166,679
Due to joint ventures		**3,171**	–
Due to a related company		**1,019**	1,649
Interest-bearing bank borrowings		**65,268**	22,160
Tax payable		**4,906**	2,990
Total current liabilities		**276,521**	193,478
NET CURRENT ASSETS		**202,865**	191,269
TOTAL ASSETS LESS CURRENT LIABILITIES		**422,896**	404,266
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,236**	950
Net assets		**421,660**	403,316
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	**35,409**	35,221
Reserves		**386,251**	368,095
Total equity		**421,660**	403,316

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies 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 (collectively referred to as the "**Group**") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

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 HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to *2010-2012 Cycle*	Amendments to a number of HKFRSs
Annual Improvements to *2011-2013 Cycle*	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of amendments to HKFRS 8 included in Annual Improvement to HKFRSs 2010-2012 Cycle, the adoption of the above revised standards has had no significant financial effect on these financial statements.

The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. REVENUE AND OTHER INCOME

Revenue represents the amounts received and receivable for 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:

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Gross revenue	**1,149,148**	1,045,700
Less: sales related tax	**(61,001)**	(56,652)
	1,088,147	989,048
Other income		
Bank interest income	**2,530**	2,673
Commission income#	**19,357**	16,947
Gain on disposal of items of property, plant and equipment	**38**	–
Others	**7,561**	6,241
	29,486	25,861

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	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:								
Sales to external customers	**243,640**	196,581	**533,545**	492,528	**310,962**	299,939	**1,088,147**	989,048
Inter-segment sales	**–**	–	**35,455**	22,353	**–**	–	**35,455**	22,353
	243,640	196,581	**569,000**	514,881	**310,962**	299,939	**1,123,602**	1,011,401
Reconciliation:								
Elimination of inter-segment sales							**(35,455)**	(22,353)
Revenue							**1,088,147**	989,048
Segment results	**24,074**	18,966	**56,530**	44,495	**23,805**	28,756	**104,409**	92,217
Reconciliation:								
Interest income							**482**	471
Share of losses of joint ventures							**(2,435)**	–
Unallocated expenses							**(37,363)**	(25,400)
Finance costs							**(509)**	(197)
Profit before tax							**64,584**	67,091
Other segment information:								
Depreciation of items of property, plant and equipment	**14,853**	11,791	**26,267**	26,719	**15,712**	16,901	**56,832**	55,411
Amortisation of intangible assets	**–**	–	**567**	567	**190**	172	**757**	739
Capital expenditure*	**21,466**	24,578	**25,890**	31,521	**16,561**	10,219	**63,917**	66,318

* 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 asset and liability 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 is arising 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**

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans	**509**	197

6. **PROFIT BEFORE TAX**

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

	2015	2014
	RMB'000	*RMB'000*
Depreciation of items of property, plant and equipment	**57,200**	55,812
Amortisation of intangible assets	**2,494**	1,500
Minimum lease payments under operating leases	**98,252**	88,895
Contingent rents under operating leases*	**2,179**	1,110
Auditors' remuneration	**1,000**	960
Gain on disposal of items of property, plant and equipment	**(38)**	–
Gain on partial disposal of joint ventures**	**(24)**	–
Directors' remuneration	**5,824**	4,317
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**271,995**	232,598
Equity-settled share option expense	**–**	110
Equity-settled share award plan expense	**2,968**	–
Pension scheme contributions (defined contribution scheme)^	**21,668**	19,254
	296,631	251,962
Foreign exchange differences, net	**115**	(76)

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

** Gain on partial disposal of joint ventures are included in "Share of losses of joint ventures" in the consolidated statement of profit or loss.

^ At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2014: 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% (2014: 25%).

	2015	2014
	RMB'000	*RMB'000*
Current – PRC		
Charge for the year	**18,506**	16,252
Underprovision in prior years	**176**	–
Current – Hong Kong	**128**	–
Deferred	**(2,815)**	(1,361)
Total tax charge for the year	**15,995**	14,891

8. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Proposed final – HK10.9 cents (2014: HK9.5 cents) per ordinary share	**38,823**	31,887

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

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 421,248,342 (2014: 419,142,742) in issue during the year.

The calculation of the 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:

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company	**48,589**	53,200

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year	**421,248,342**	419,142,742
Effect of dilution:		
– Weighted average number of ordinary shares in respect of share options	**–**	176,862
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**421,248,342**	419,319,604

10. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**12,667**	10,291
Prepayments	**17,183**	12,577
Deposits and other receivables	**32,848**	30,503
	62,698	53,371
Less: Deposits classified as non-current assets	**(28,451)**	(28,812)
	34,247	24,559

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 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:

	2015	2014
	RMB'000	*RMB'000*
Within 30 days	**8,960**	8,022
31 to 60 days	**2,398**	707
61 to 90 days	**450**	382
Over 90 days	**859**	1,180
	12,667	10,291

11. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**59,775**	52,951
Other payables and accruals	**41,315**	31,694
Salary and welfare payables	**34,041**	25,850
Receipts in advance	**67,026**	56,184
	202,157	166,679

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:

	2015	2014
	RMB'000	*RMB'000*
Within 30 days	**44,459**	42,168
31 to 60 days	**7,233**	4,782
61 to 90 days	**2,970**	1,630
91 to 180 days	**1,377**	1,869
Over 180 days	**3,736**	2,502
	59,775	52,951

The trade and other payables are non-interest-bearing and are normally settled on terms of 30 days to 90 days.

12. ISSUED CAPITAL

	2015		2014	
		(equivalent to)		*(equivalent to)*
	HK$'000	***RMB'000***	*HK$'000*	*RMB'000*
Authorised:				
2,000,000,000 (2014: 2,000,000,000) ordinary shares HK$0.10 (2014: HK$0.10) each	**200,000**		200,000	
Issued and fully paid:				
421,919,000 (2014: 419,569,000) ordinary shares of HK$0.1 (2014: HK$0.1) each	**42,192**	**35,409**	41,957	35,221

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**
			(equivalent to)
		HK$'000	*RMB'000*
Issued and fully paid:			
At 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 and 1 January 2015	419,569,000	41,957	35,221
Issue of shares under share award plan	2,350,000	235	188
At 31 December 2015	421,919,000	42,192	35,409

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Despite a global economic environment with substantial elements of uncertainty, China's economy managed to maintain a relatively stable growth rate in 2015, gross domestic products registered a 6.9% increase compared to 2014, with a 10% increase also recorded by total retail sales of consumer goods. Meanwhile, the catering industry has emerged from the disruptive and chaotic period in the past few years and began to see some stability. According to the National Bureau of Statistics of China, the catering sector achieved 11.7% growth compared to 2014.

Catering business is universally characterized by vigorous and intense market competition, while consumers are generally more price-sensitive compared to some other segments in the consumer market. Cost control is therefore one of the key components for catering operators to manage their businesses. During the past year, we saw purchase cost for food ingredients kept on rising, with particular sharp increase in those of grain, pork and vegetables. The problem of rising labour cost had been well publicized and the problem was not only reserved for catering industry but it was rather a common challenge for the whole economy. Also, as many industries and sectors had been struggling under the economic downturn in recent years, we also saw a shift in people's dining preference. In particular, catering format based on internet business concept has posted a serious challenge to traditional catering operators. Consequently, the issue of how to expand turnover and achieve higher profit on restricted budget has been the key topic for the catering industry in 2015. Many players in the catering industry have made their attempts to diversify into other forms of business on top of their principal operation mode in order to maintain their competency and stay competitive in the market.

It is both an undisputable premise and a long-standing challenge for catering business that they need to make adjustments in their business strategy and adapt quickly to the changing demand and consumption patterns of consumers. Based on the data from the National Bureau of Statistics, online sales in China grew 33% from last year, demonstrating that Chinese consumers was becoming more receptive and their spending pattern was trending towards the electronic means of consumption. There should be tremendous opportunity in the development of consumer e-commerce.

BUSINESS REVIEW

Operating under an economic environment with low stability and visibility during the past two years, the Group had made effort to enhance its internal management capability and efficiency. Market strategy had been under constant review and revision with a view to formulate a viable business model for future development. The rental market price had stabilized in 2015, prompting the Group to take the opportunity to open a number of new restaurants in Shanghai, Beijing and Hong Kong, cities where the Group already had strong presence, and also expand its network into a new city, Chengdu. All together, the Group has newly opened 5 Chinese restaurants and 2 casual dining restaurants in those 4 cities.

Extra revenue stream from gift products

The Group made investment in new restaurants based on its knowledge and understanding to the catering industry and its strategy of equipping itself from time to time for opportunities that may emerge. Much emphasis has also been placed on achieving greater turnover at individual restaurant. As for its take-away product range, in addition to seasonal product offerings, the Group also successfully launched a brand new gift product line in 2015 after undergoing some relevant research and development on such products. The new gift products had been well received by customers with its refreshing design and unique taste and sales had been satisfactory so far. Other than their contribution to increased turnover, the gift products could also serve the purpose of promoting the Group and expanding its customer base through the process of presenting the Group's gift products to their friends and relatives by our customers. The Group believes that satisfactory revenue could be attained by ongoing promotion, product optimization and research and development of new products.

Meeting market demand with e-commerce initiative

The Group recognized the changing consumption pattern in market and had already begun preparation work on possible collaboration with online retail platforms last year. In addition to group purchase promotion campaigns in correspondence to festivals or new product launches, one of the Group's primary efforts in 2015 had been on advocating various e-sales and e-payment platforms such as "WeChat Ordering and Payment", "Alipay" and "Dianping.com Instant Meal Discounts". These platforms had been made available in most restaurants of the Group in Eastern and Northern China. Implementation of this measure was not only in response to market trend, but also in the hope of reaching a wider spectrum of customers with the help of Internet and achieve good promotional effect.

Service enhancement via online rating and comments

In addition to implementing suitable market promotion strategy, the Group also strived to raise its service standard so that its long-standing reputation of high quality service could be maintained and even further consolidated and enhanced. With the popular usage of online rating amongst consumers and the good credibility attributed to such ratings and comments, the Group considered they are important indicators to restaurant service standard; it had introduced a "Customer Satisfaction Appraisal System" and set up regional WeChat groups to follow up service quality issues and improve service standard. More effective customer relationship management and better service enhancement could be achieved as a result. Within a few months time, customer ratings and favourable comments on food and services of the Group's restaurants had driven up significantly, with Chinese restaurants in each of the Group's geographical segments in China having successfully claimed "5-star rating".

Cost control and efficiency enhancement

Food safety issue had become a primary public concern in China. It proved that the Group was right with its early move to restructure and streamline sourcing process, to engage in bulk purchases in ensuring safety of food ingredient sources. The strategy was also closely related to cost control for food, where bulk purchases had been the Group's long-term effective business strategy. As always, it had been adding various products for making bulk purchases, thereby successfully locking up the sources, supply volume and prices of raw materials. On the other hand, research and development of 'work-in-progress' products was the focus of 2015 in our plan concerning efficiency enhancement. Adopting the procedure of primary processing of food ingredients through food production plant, it was believed that the production efficiency and thus the overall operation effectiveness in our restaurants could be improved. The practice was also applied for the preparation of the development of its casual dining operation, aiming to reduce production time and ensure standardized and consistent product quality. The newly opened "Canton Tea Room" brand restaurant in Shanghai in 2015 was an example to showcase the benefits for such practice. The restaurant had been attracting a great number of customers soon after its opening. The 'work in progress' dim sum used in the restaurant's production not only enabled the final products to preserve the taste of freshness in the food, but also helped speed up the delivery time. With the above measures on cost control and efficiency upgrade, the Group's overall gross profit margin in 2015 increased 0.7% year-on-year.

Chinese restaurant business

As at 31 December 2015, the Group was operating 32 Chinese restaurants. With its strategy focus on discretion and progressive expansion, the Group managed to achieve reasonable results in its Chinese restaurant business in an increasingly competitive market. We are pleased to report that all 3 restaurants which we had invested recently in 2014 were generating good return, with average monthly turnover grew more than 30% compared to last year. Operating performance of the 5 newly opened restaurants in the second half of 2015, situated in Beijing, Chengdu, Shanghai and Hong Kong were also satisfactory and in line with our plan.

As at 31 December 2015, revenue from the Chinese restaurant business of the Group amounted to RMB972 million, representing an increase of 10.0% compared to RMB884 million in 2014, with restaurants newly opened in the past 2 years contributed a total of RMB88 million in turnover for 2015. In terms of the 3 major geographical segments, turnover of both Northern and Eastern China segments met their expectation and achieved stable development during the year, while Southern China segment also registered an increase in turnover, chiefly attributable to a remarkable year-on-year growth of more than 40% from the Shenzhen flagship wedding banquet restaurant since opening last year.

Casual dining

The Group's "Social Place" restaurant brand had performed well since its establishment in Hong Kong in 2014. Its average monthly sales increased more than 50% compared to last year. With its fashionable and stylish image, unique appearance with innovative blending of its Chinese cuisine, and promotion campaigns in line with its brand image, the restaurant had been bringing to customers many pleasant surprises and kept them coming. The success of the Hong Kong restaurant had instilled confidence to the Group on developing its own casual dining brand in Mainland China. As a result, an original "Canton Tea Room" brand restaurant (Shanghai) and the first "Social Place" restaurant in Mainland (Chengdu) were opened in the second half of 2015. We are working fervently to prepare more new openings for these 2 brands in a number of cities in 2016.

The Group had reviewed and re-evaluated the operational conditions of all PappaRich restaurants and concluded that some of the restaurants in Shanghai would be more suitable for running Chinese casual dining in view of their market characteristics. Therefore, one of the PappaRich restaurants had been revamped into a new brand "Canton Tea Room" restaurant in August 2015. The new restaurant achieved an average daily customer turnover of 800 persons soon after opening and long queue could easily be seen outside the restaurant. Taken into consideration of the unique quality of the Malaysian catering, the Group had been hoping that the brand owner of PappaRich would have increased involvement of the brand's development in China so that its brand value and popularity could be further enhanced. Following discussion and negotiation with its joint venture partner PappaRich Group Sdb Bhd, it was agreed that the joint venture partner would increase its stake in the equity investment and would also play a more active role in decision-making process in daily operation. In Taiwan, PappaRich opened its first restaurant there in May 2015 through a joint venture. With good initial market response, a second restaurant soon followed in October in the same year and its operating performance had also been satisfactory. On its co-operation partnership with Beppu Group Limited formed in 2014, PappaRich had been working hard in 2015 in preparing for extending its market presence and the Group is pleased to note that its first restaurant in Hong Kong was opened in January 2016.

The Group had reviewed the overall operating conditions of Pepper Lunch and thereafter closed down some outlets with below par operating results, so that more resources could be re-allocated towards those outlets which had been performing well. This is aimed to enhance the effectiveness of Pepper Lunch operation's contribution to the Group. As at 31 December 2015, there were 20 Pepper Lunch restaurants.

Corporate social responsibility and sustainable development

Apart from business viability, a sustainable corporate growth is always the Group's vision, such pursuit is achieved by reliable products and services quality, passionate and effective working atmosphere and balanced stakeholders' needs considerations.

To actualize the above goals thoroughly and systematically, and to be well geared for the amended Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules, a designated working committee (Corporate Sustainability Committee) was formed in 2015 to plan, advocate and execute relevant initiatives, including but not limited to a) strengthening the restaurant monitoring mechanism, b) enhancing the staff training program and c) quantifying the operating impact to the environment.

In early 2016, three workshops were arranged in Beijing, Shanghai and Shenzhen respectively, reaching over 100 frontline management staff to enhance their awareness of our activities' impact to the environment. This lay a solid foundation for the Group's sustainability development.

People-oriented

Since its establishment, the Group always puts an emphasis on talent nurturing as an indispensable and integral part of sustainable corporate development. Over the years, many resources have been allocated to develop staff personal capability and mentality nourishment of staff members. Not only to boost their work efficiency, but more importantly, it establishes and spreads the culture of appreciation among staff members so that they are more considerate to each other. A more advanced goal of the initiative is that staff members may contribute to the society and shoulder the same responsibility as the Group. In prior years, various programmes and activities were organised on different themes, including 5S management, volunteer teams and the operating philosophy of Kazuo Inamori and recent additions include Di Zi Gui and Liao-Fan's Four Lessons, which enable the mental enrichment of staff members away from work. In 2015, the Group organised the 3rd session of "Blessing and Wisdom Youth Camp"(福慧少年營) in Beijing, Shanghai and Shenzhen. The initiative was widely praised and appreciated by its employees and their families as it showed the Group's care towards its staff and development of their children. Another positive effect resulted from it was that stronger sense of belonging amongst employees had helped diminishing its staff turnover and reduced cost on recruitment and staff training.

Outlook and Prospect

In 2015, the Group expanded its presence and enhanced the brand awareness across many regions by multiple approaches in accordance with its plan. Five Chinese restaurants and two casual dining restaurants in total will be set up in Shanghai, Beijing, Chengdu and Hong Kong. Given the fruitful results from its self-owned brands "Social Place" and "Canton Tea Room", the operational model of such restaurants proved to be a market hit, which is characterised by smaller investments, simpler staff structure and high yield. Confident about further investments in such field, the Group has launched the second outlet of "Social Place" in Shenzhen in January 2016 and is actively arranging for upcoming restaurants in other cities. Meanwhile, the Group is planning for the network expansion of "Canton Tea Room", which is expected to set up more branches in mid-2016. It is a part of the Group's strategy to strengthen self-owned brands as well as to continue to pursue cooperation with good partners to develop its business in multiple channels, with a view to maximising returns for shareholders.

The Group reckons there is a substantial demand for seasonal product, take-away product and gift from its Chinese restaurant business. It also intends to increase semi-products to boost outlet efficiency as well as to facilitate the development of casual dining. To complement such goals, the Group will review and update or upgrade, as appropriate, its cashier system and supply chain for a more efficient growth in the long run.

In respect of the significant prospects from the enormous e-commerce market, the Group is of the opinion that active understanding of demands to generate sales is superior to passive adaptation of prevailing trends. Thus, it is vigorously working with system developers on a unique and effective means of online marketing, and to press ahead the food circulation plan, utilizing the strong resources made available by its extensive restaurant network to pursue an integrated marketing practice bringing together online promotion and offline experience. In 2016, the Group will continue its effort in further promoting the application of mobile Internet that should be helpful in connecting with young customers who love exciting new things and to suite their spending habit, which will hopefully introduce a larger income and profit stream to the Group.

In 2016, the sustainable corporate development committee of the Group will perform every function contemplated in 2015 and comply with the requirements of the Listing Rules in respect of disclosures on environmental, social and governance responsibility.

Financial Review

Revenue and operating expenses

The Group's revenue for FY2015 increased by RMB99.1 million, or 10.0%, from RMB989.0 million for FY2014 to RMB1,088.1 million. In view of the relatively positive prospect of the market, the group has taken the chance to expand in both 2014 and 2015.

As to our Chinese restaurant business, the stores opened in 2014 contributed to an increase in revenue of RMB62.0 million from their full operation in 2015, whereas the addition of the 5 new restaurants opened in the second half of 2015 also contributed an aggregate additional revenue of RMB25.6 million. We have seen continuous outperformance of the wedding banquet themed flagship restaurant in Shenzhen, showing a year-on-year growth of over 40% since launched in January 2014, continued to be the drive of our revenue growth by 14.0% in the Southern China region. Eastern China region continued to be our focus of expansion, where 2 stores opened in 2014 with full operation in 2015 together with another 2 new stores opened in September and November in 2015, added another 11.4% over 2014's revenue base. Northern China also recorded a revenue growth of 3.7%, where we noted stabilised performance in most of the stores in this region which we experienced an overall decline in the past year as a result of shrinkage of customer spending.

Pepper Lunch recorded a 1.1% revenue growth during 2015, mainly due to the revenue increase of the stores attained operational efficiency, offset by the closure of certain inefficient stores in both 2014 and 2015. As a result of change of management duties, PappaRich is structured as a joint venture in 2015 and the revenue is no longer adding up to our revenue line. With experience over the years, the group's strategy on casual dining business has modified to utilise our strength, as well as to fit in the market. Our self-developed concept, Social Place newly developed in last year in Hong Kong under this strategy, is widely accepted and continuously recorded an average monthly growth of over 50% after one full year operation. Another store opened in Chengdu in 2015 is a result of the confidence from its success, with a satisfactory result since it opened in December. The favorable performance of Social Place also encouraged us to develop another dim sum specialised concept, Canton Tea Room, which was launched in Shanghai in August. These casual dining concepts (including the exclusion of PappaRich business in 2015) brought us an increase of revenue of RMB11.0 million during the year.

Cost of inventories consumed and staff cost accounted for a significant part of our operating expense. We are pleased to note a continuing improvement in cost of inventories consumed during the year, reflecting a decrease of 0.7% to 40.0% as a percentage of revenue, as a result of our continuous effort in expansion of central procurement and the enhancement in the use of supply chain system. Staff cost (excluding equity-settled share option/share award plan expense) as a percentage of revenue increased by 1.5% to 27.4% due to the increase of wage level and training of staffs prior to the opening of new stores. Other operating expenses including depreciation of items of property, plant and equipment, utilities and consumables, rental and related expenses, and other expenses all remained stable as a percentage of revenue. As a result of change of the investments structures and management duties of PappaRich business, a share of losses of joint ventures is recognised.

As at 31 December 2015, the Group is operating 56 restaurants and 6 restaurants under joint venture. 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**	
	2015	2014	**2015**	2014	**2015**	2014
			RMB	*RMB*		
Tang Palace*	**26**	22	**138.6**	137.2	**76.1%**	75.5%
Tang's Cuisine	**6**	5	**294.8**	294.8	**12.7%**	13.2%
Social Place	**2**	1	**161.2**	139.3	**2.2%**	0.4%
Canton Tea Room	**1**	–	**79.8**	–	**0.9%**	–
Pepper Lunch	**20**	24	**45.4**	42.7	**7.5%**	8.1%

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

Income tax expense

Income tax expense for the year increased by RMB1.1 million with effective tax rate of 24.8%, represent an efficient management of the Group's tax exposure which is below the standard tax rate.

Profit attributable to owners of the Company for the year

The Group's profit attributable to owners of the Company decreased by RMB4.6 million from RMB53.2 million to RMB48.6 million. The net profit margin for the year decreased from 5.4% to 4.5%. Excluding equity-settled share option/share award plan expense of RMB4.7 million which is non-recurring in nature, the Group's profit attributable to owners of the Company is RMB53.3 million which has a slight increase against the prior year.

Cash flow

Cash and cash equivalents increased by RMB24.5 million from RMB273.4 million as at 31 December 2014 to RMB297.9 million as at 31 December 2015.

Net cash of RMB130.3 million was generated from operating activities for FY2015. Net cash used in investing activities amounted to RMB114.6 million for FY2015, of which RMB64.0 million related to the purchase of items of property, plant and equipment and RMB43.0 million related to a pledged time deposit. Net cash from financing activities amounted to RMB10.0 million, including dividend paid amounting to RMB32.0 million, offset by a new bank borrowing of RMB42.0 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 RMB402.8 million as at 31 December 2015 (31 December 2014: RMB323.9 million). As at 31 December 2015, the Group's total assets, net current assets and net assets were RMB699.4 million (31 December 2014: RMB597.7 million), RMB202.9 million (31 December 2014: RMB191.3 million) and RMB421.7 million (31 December 2014: RMB403.3 million), respectively.

As at 31 December 2015, the Group had bank borrowings of RMB65.3 million (31 December 2014: RMB22.2 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 15.5% as at 31 December 2015 (31 December 2014: 5.5%).

As at 31 December 2015, the current ratio (calculated as current assets divided by current liabilities) was 1.7 (31 December 2014: 2.0).

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 2015, 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 2015, the Group had around 4,600 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 was approximately RMB3.3 million and RMB2.8 million as at 31 December 2015 and 31 December 2014, respectively.

Charge on Group's Assets

As at 31 December 2015, the Group had pledged time deposits of RMB68.0 million (31 December 2014: RMB25.0 million) for banking facilities amounting to RMB65.3 million (31 December 2014: RMB22.2 million).

Contingent Liabilities

As at 31 December 2015, 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, the trustee of the share award plan adopted on 25 March 2011 by the Company and amended on 10 April 2013 (the "**Share Award Plan**"), pursuant to the terms of the trust deed of the Share Award Plan, purchased on the Stock Exchange a total of 1,232,000 shares of the Company at a total consideration of approximately RMB1,752,000. Save as disclosed above, 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 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 (amended on 1 January 2016) 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 2015.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting will be held on 3 June 2016 (the "**AGM**"). A formal notice of the AGM will be published and dispatched to shareholders of the Company (the "**Shareholders**") as required by the Listing Rules in due course.

DIVIDEND

The Board recommended the payment of a final dividend of HK10.9 cents per share, representing 80.0% as payout ratio, payable to Shareholders whose names appear on the register of members of the Company on 10 June 2016. 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 2015 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 3 June 2016, the final dividend will be paid on or before 30 July 2016.

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 30 May 2016 to 3 June 2016 (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 27 May 2016.

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 2015 (if approved), the register of members of the Company will be closed on 10 June 2016, during which no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2015 (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 8 June 2016.

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 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, 24 March 2016

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*