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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "**Board**") of Tang Palace (China) Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Period**"), together with the comparative figures for the six months ended 30 June 2015 as follows:

HIGHLIGHTS

	Six months ended 30 June		Increase in
	2016	2015	%
Revenue *(RMB'000)*	**629,689**	545,806	15.4%
Gross profit *(RMB'000)*	**388,814**	325,956	19.3%
Gross profit margin	**61.7%**	59.7%	2.0%
Profit for the period attributable to owners of the Company *(RMB'000)*	**41,008**	29,278	40.1%
Basic earning per share (*RMB cents*)	**9.67**	6.96	38.9%
Interim special dividend per share (*HK cents*)	**6.00**	–	
Number of restaurants (including joint ventures) (as at 30 June)	**56**	58	

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
	Notes	**(unaudited)**	(unaudited)
Revenue	*3*	**629,689**	545,806
Other income	*3*	**17,048**	14,566
Cost of inventories consumed		**(240,875)**	(219,850)
Staff costs		**(174,304)**	(148,636)
Depreciation of items of property, plant and equipment		**(28,530)**	(28,001)
Utilities and consumables		**(33,444)**	(31,929)
Rental and related expenses		**(63,076)**	(57,874)
Other expenses		**(42,772)**	(35,849)
Finance costs		**(518)**	–
Share of losses of joint ventures		**(2,939)**	–
PROFIT BEFORE TAX	*5*	**60,279**	38,233
Income tax expense	*6*	**(18,432)**	(8,955)
PROFIT FOR THE PERIOD		**41,847**	29,278
Attributable to:			
Owners of the Company		**41,008**	29,278
Non-controlling interests		**839**	–
		41,847	29,278
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*8*		
Basic and diluted *(RMB cents)*		**9.67**	6.96

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**41,847**	29,278
Attributable to:		
Owners of the Company	**41,008**	29,278
Non-controlling interests	**839**	–
	41,847	29,278

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**As at 30 June 2016** *RMB'000* **(unaudited)**	As at 31 December 2015 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**146,582**	159,948
Intangible assets		**10,733**	13,060
Available-for-sale investment		**9,964**	–
Investments in joint ventures		**6,635**	9,574
Deposits		**27,731**	28,451
Deferred tax assets		**7,789**	8,998
Total non-current assets		**209,434**	220,031
CURRENT ASSETS			
Inventories		**33,588**	40,609
Trade and other receivables and prepayments	*9*	**49,296**	34,247
Due from joint ventures		**1,544**	1,703
Pledged time deposits		**68,000**	68,000
Time deposits		**23,931**	36,954
Cash and cash equivalents		**369,721**	297,873
Total current assets		**546,080**	479,386
CURRENT LIABILITIES			
Trade and other payables	*10*	**257,316**	202,157
Due to joint ventures		**234**	3,171
Due to a related company		**458**	1,019
Interest-bearing bank borrowings		**64,008**	65,268
Tax payable		**5,991**	4,906
Total current liabilities		**328,007**	276,521
NET CURRENT ASSETS		**218,073**	202,865
TOTAL ASSETS LESS CURRENT LIABILITIES		**427,507**	422,896
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	1,236
Net assets		**427,507**	421,660
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**35,586**	35,409
Reserves		**390,782**	386,251
		426,368	421,660
Non-controlling interests		**1,139**	–
Total equity		**427,507**	421,660

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2016

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

During the Period, the Group were principally engaged in restaurant operations and food productions.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial information are consistent with those of the Group as set out in the Group's annual financial statements for the year ended 31 December 2015, except for the following new and revised Hong Kong Financial Reporting Standards (the "**HKFRSs**") that have been adopted by the Group for the first time in 2016 for the current period's interim financial information.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the interim financial information.

HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customer*[1]
HKFRS 16	*Leases*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date is determined but is available for early adoption

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's interim financial information

3. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue:		
Gross revenue	**653,979**	576,960
Less: sales related tax	**(24,290)**	(31,154)
	629,689	545,806
Other income:		
Bank interest income	**1,228**	1,429
Commission income#	**11,151**	8,764
Others	**4,669**	4,373
	17,048	14,566

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 reportable operating segments as in Northern, Eastern, Southern and Western regions of China.

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

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

Information about major customers

During the Period, there was no revenue from customers individually contributing over 10% to the total revenue of the Group.

Segment information about the business is presented below:

	Northern region		Eastern region		Southern region		Western region		Total	
	For the six months ended 30 June									
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue:										
Sales to external customers	**167,925**	153,670	**289,779**	274,416	**154,481**	117,720	**17,504**	–	**629,689**	545,806
Inter-segment sales	**–**	–	**18,000**	14,594	**–**	–	**–**	–	**18,000**	14,594
	167,925	153,670	**307,779**	289,010	**154,481**	117,720	**17,504**	–	**647,689**	560,400
Reconciliation:										
Elimination of inter-segment sales									**(18,000)**	(14,594)
Revenue									**629,689**	545,806
Segment results	**22,356**	14,428	**43,780**	24,718	**15,178**	15,128	**1,450**	–	**82,764**	54,274
Reconciliation:										
Interest income									**442**	365
Share of losses of joint ventures									**(2,939)**	–
Unallocated expenses									**(19,470)**	(16,406)
Finance costs									**(518)**	–
Profit before tax									**60,279**	38,233

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

The Group's revenue are arising from restaurants operations and food productions.

Geographical information

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Directors' emoluments	**2,339**	2,172
Other staff costs	**160,753**	136,561
Pension scheme contributions	**11,212**	9,903
Total staff costs	**174,304**	148,636
Depreciation of items of property, plant and equipment	**28,530**	28,001
Amortisation of intangible assets	**1,284**	763

6. INCOME TAX

Taxes on assessable profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The Company's subsidiaries in Mainland China are subject to income tax at the rate of 25% (six months ended 30 June 2015: 25%).

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – PRC		
Charge for the period	**16,906**	8,362
Underprovision in prior periods	**316**	–
Deferred	**1,210**	593
	18,432	8,955

7. DIVIDEND

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interim special dividend – HK6.00 cents per ordinary share (six months ended 30 June 2015: Nil)	**21,371**	–

On 25 August 2016, the Board declared an interim special dividend for the Period of HK6.00 cents per ordinary share.

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the Company	**41,008**	29,278
	Number of shares	
Shares:		
Weighted average number of ordinary shares in issue during the period for the purpose of basic and diluted earnings per share	**423,938,231**	420,729,994

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group's trading terms with its customers are mainly on credit with credit period ranging from 30 to 80 days. Each customer has a maximum credit limit. The aged analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**16,044**	12,667
Prepayments	**20,289**	17,183
Deposits and other receivables	**40,694**	32,848
	77,027	62,698
Less: Deposits classified as non-current assets	**(27,731)**	(28,451)
	49,296	34,247

	As at 30 June 2016 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000* (audited)
Trade receivables:		
Within 30 days	**13,978**	8,960
31 to 60 days	**932**	2,398
61 to 90 days	**248**	450
Over 90 days	**886**	859
	16,044	12,667

10. TRADE AND OTHER PAYABLES

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

	As at 30 June 2016 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000* (audited)
Trade payables	**64,901**	59,775
Other payables and accruals	**40,763**	41,315
Salary and welfare payables	**34,382**	34,041
Receipts in advance	**78,447**	67,026
Dividend payable	**38,823**	–
	257,316	202,157

	As at 30 June 2016 *RMB'000* (unaudited)	As at 31 December 2015 *RMB'000* (audited)
Trade payables:		
Within 30 days	**45,489**	44,459
31 to 60 days	**13,373**	7,233
61 to 90 days	**994**	2,970
91 to 180 days	**1,284**	1,377
Over 180 days	**3,761**	3,736
	64,901	59,775

11. ISSUED CAPITAL

	As at 30 June 2016		As at 31 December 2015	
		RMB'000		*RMB'000*
	HK$'000	**equivalent**	*HK$'000*	equivalent
	(unaudited)	**(unaudited)**	(audited)	(audited)
Authorised:				
2,000,000,000 (31 December 2015: 2,000,000,000) ordinary shares of HK$0.10 (31 December 2015: HK$0.10) each	**200,000**		200,000	
Issued and fully paid:				
424,019,000 (31 December 2015: 421,919,000) ordinary shares of HK$0.1 (31 December 2015: HK$0.1) each	**42,402**	**35,586**	42,192	35,409

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

	Number of shares in issue	**Issued capital**	**Issued capital**
			RMB'000
		HK$'000	equivalent
At 1 January 2016	421,919,000	42,192	35,409
Issue of shares under a share award plan	2,100,000	210	177
At 30 June 2016	424,019,000	42,402	35,586

INTERIM SPECIAL DIVIDEND

The Board has resolved to declare an interim special dividend of HK6.00 cents per ordinary share (2015: Nil) for the Period to shareholders whose names appear on the register of members of the Company on 12 September 2016. The interim special dividend will be paid on or around 30 December 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim special dividend, the register of members of the Company will be closed on Monday, 12 September 2016 during which no transfer of shares will be effected.

In order to qualify for the interim special dividend, all properly completed transfer forms 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 Friday, 9 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

For the year of 2016, catering industry remained challenging as usual and sales growth in Mainland China stabilised. According to the statistics published by the National Bureau of Statistics of the PRC, as at 30 June 2016, the income of food and beverage sector experienced a year-on-year growth of 11.2% (30 June 2015: 11.5%). It was noteworthy that online sales across the country increased by 28.2%, underlining the rapid development of online marketing and sales. The catering industry will also respond to market demands and focus on such aspect to develop various kinds of retail channels for business growth.

BUSINESS REVIEW

The Group continued to be active and aggressive despite lingering economic uncertainties. In 2015, in wake of eased market rental rates, we took the initiative to open new outlets and further expand our coverage into other cities. In the second half of 2015, the Group opened 5 Chinese restaurants and 2 casual dining restaurants and one casual dining restaurant opened during the period.

The expansion of business counts on the Group's diversified promotion. Since its debut, membership card has been strengthening the customer base of the Group with constant growth in its sales. The number of members had accumulated to near 200,000. Meanwhile, customer demographics are utilised in promotions for different regions and festivals to enhance advertising and encourage customers to top up value and spend again.

The Group believes that broadening income streams from multiple channels is crucial to sustainable business growth. Take-away sales are considered a prime subject of current marketing projects due to a shift in consumption behaviour in the market of Mainland China. Online sales targeting homestayers emerges as a dominant channel and take-away food and beverage is no longer restricted to phone order. Online take-away platforms such as “Baidu Takeout Delivery” have risen to prominence. The Group has always put emphasis on this sector and spotted the room of development. Other than ongoing cooperation with dominant take-away platforms in different regions, the Group also has commenced research alongside third-party system developers, with an aim of integrating the management of all online and offline sales and promotions in the future so as to boost efficiency. The banquet market is another focal point of development for the Group. In addition to participating at wedding banquet exhibition to seek banquet orders, we are equally committed to the promotion of small banquets, to further extend the business into family and business banquets etc..

In terms of internal efficiency enhancement, the Group’s central procurement strategy has been effective as always and is starting to reap benefits after years of operation. The Group gradually expand its cooperation with sizable suppliers in stages. By fixing the ingredient prices for a specific period, it is not only favourable to the cost control of ingredients, but also allows us to offer a price more affordable than market rate for promotion at the right time, which is overall a policy beneficial to sales efficiency. The strategy of broadening income sources and cutting expenditure is further implemented in every outlet and in ways according to its own features. In addition, the rollout of tax reforms in respect of “business tax to value-added tax transformation” in Mainland China in May 2016 is also beneficial to the Group. Due to the above events, overall gross profit margin increased from 59.7% as at 30 June 2015 to 61.7% as at 30 June 2016, with growth in overall efficiency.

The Group insists to enhance its internal management capability during times of difficulties and maintain promotions via multiple channels in a diversified manner. It also seizes the opportunity to secure favourable rental terms for business expansion. Despite volatile market conditions, a continuous growth in revenue is recorded to yield satisfactory results. As at 30 June 2016, revenue of the Group amounted to HK$630 million, representing an increase of 15.4% over the corresponding period in 2015.

Chinese Restaurant Business

The Group is delighted to report that our Chinese restaurant business in all regions has recorded growth, with outstanding performance in Beijing. Sluggish consumption sentiment in the market in previous years may have dampened our business but such effect is fading. Coupled with stringent comprehensive enhancement of internal control, especially the enhanced cost control over outlets and further expansion of sales of take-away products, consumption per capita and customer flow were boosted generally, and turnovers of all stores increased by over 5% generally. The overall turnover for the period also recorded a strong growth of over 15% attributable to the stores opened in October 2015.

Meanwhile, new stores opened in Shanghai in 2014 and 2015 has started to yield results. Coupled with stable development of the wedding banquet market in Eastern China, we also participated wedding expos regularly in order to bring in additional new customers and orders to our stores. Despite the closure of a restaurant in Pudong, Shanghai in February during the period due to expiry of tenancy, the overall turnover recorded a growth of nearly 10%.

Overall turnover in Southern China maintained steady growth. Flagship wedding banquet restaurants in Shenzhen continued to contribute stable income. Together with contributions from the two "Tang's Cuisine" restaurants in Hong Kong and Macau, total turnover of the region recorded a growth of over 20%.

To extend our presence, one new store were opened in Chengdu in October 2015. We continued promotions in the region by offering discounted signature dish to attract customers and cooperating with famous local celebrities, media and merchants to launch extensive promotion with their resources in order to increase our exposure. Our primary goal is to increase brand recognition and build a sharp image locally. On the other hand, we carry out promotion through e-commerce and online take-away platforms, with a view to diversify income source.

Casual Dining Business

Self-developed Brand

The Group's self-developed casual dining brand "Social Place" has been in operation for more than one year in Hong Kong, the sales of which has been satisfying and increasing at a steady pace. As at 30 June 2016, its turnover has maintained a growth of more than 30% as compared with the corresponding period of last year. The Group saw the development potential in the casual dining segment and captured opportunities by opening restaurants during the Period. The first "Social Place" restaurant in PRC was opened in Chengdu during December 2015, and has since become a local hot topic. The innovative dining mode has been highly popular with customers and become an ideal choice for afternoon tea gatherings and small banquets for the locals. In January 2016, a second restaurant was opened in Shenzhen and has become the spotlight event of the city, with streams of customers coming to dine. The sales performance also met the expectation.

The Group has great faith in the prospect of the casual dining business. By taking full advantage of the renowned products of the Group, quality management recognized by the industry as well as extensive industry experience, we achieved accelerated development in this segment with relatively fewer resources and shorter return period, and yielded satisfying results. Canton Tea Room in Shanghai is another example of the Group's achievement in this segment. The Group has designed a streamlined menu principally featuring dim sum and simple dishes and provides stylish dinning environment with a relaxing ambience. Having been in operation for nearly a year, the restaurant has maintained a steady customer headcount, which proved that the operation mode of dim sum specialized restaurants is well-received.

The wide reception by the market for our self-developed dining brands is a reflection on the strategic success of the Group and strengthen our faith in the plan of active preparation and accelerating development in the second half of the year.

Joint Venture Brand

Immediately after additional equity investment last year, our Malaysian partner of "PappaRich" brand started to play an integral role in the business operation arrangement of "PappaRich" in Mainland China and the assessment of the brand's current market position and the operating condition of each outlet. New development plans have been laid out and two outlets in Shanghai have already been renovated in the first half of 2016 so as to adhere to the latest original Malaysian style and the menu has been updated. The turnover of the two outlets were both increased by more than 10% after resuming operation. Meanwhile, the success of expanding its presence to Taiwan is followed by one new restaurant opened in Hong Kong for the period. As of 30 June 2016, there are in total seven "PappaRich" restaurants in China, Hong Kong and Taiwan.

Franchised Brand

Considering the current and future development strategy of casual dining business, a long-term assessment and multiple evaluation of Pepper Lunch's operation in various regions, the Group is of the view that it is more appropriate to close down outlets with disappointing operation conditions in Shanghai and returning the region's franchise right to its owner, together with outlets with good operation conditions. In addition, certain outlets with sub-par performance were closed after an assessment of operation conditions in the Beijing region so as to concentrate management resources on outlets with good operation, thereby boosting efficiency and increasing profit margin.

Strategic Cooperation and Investment

During the Period, the Group has become more active in arrangement for the development of cooperation with external parties. On 18 May 2016, the Group invested in C.Y. Food Trading (HK) Company Limited, a quality food-related company, to work closer with upstream suppliers so as to control and enhance the sourcing network, an aspect of utmost importance to the Group. The Group expects the extensive sourcing network and well-established food processing system of this company will (i) provide the Group with a reliable source of high-quality, stable and traceable food ingredient supply; (ii) strengthen the Group's control on the costs of food procurement; and (iii) provide potential benefits and profits that will accrue to the Group.

FINANCIAL REVIEW

As at 30 June 2016, the Group was operating 49 restaurants. The table below illustrates the number of restaurants by major brands, together with the average spending per customer and percentage of revenue to the Group:

Brand	No. of restaurants as at 30 June		Average spending per customer as at 30 June		Percentage of revenue contributed to the Group as at 30 June	
	2016	2015	**2016**	2015	**2016**	2015
			RMB	*RMB*		
Tang's Cuisine	**6**	5	**277.1**	307.9	**14.1%**	12.3%
Tang Palace*	**25**	22	**148.4**	137.3	**73.7%**	74.8%
Social Place	**3**	1	**113.5**	161.2	**4.6%**	1.9%
Canton Tea Room	**1**	–	**83.3**	–	**1.8%**	–
Pepper Lunch	**13**	23	**46.5**	44.9	**5.4%**	7.6%

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

As mentioned above, the Group's overall revenue for the Period increased by 15.4% to RMB630 million and the overall gross profit margin has increased by 2.0%. With our persistence in carrying on various measures to manage cost through the past few years of volatile market, operating expenses remained controllable as compared with the prior period, whereas percentage of revenue on staff costs is 27.7% (2015: 27.2%), depreciation of items of property, plant and equipment is 4.5% (2015: 5.1%), rental and related expenses is 10.0% (2015: 10.6%), and other expenses is 6.8% (2015: 6.6%). Effective tax rate reached 30.6% (2015: 23.4%) because tax credit has not been provided for certain business with losses recognised during the period. Despite of this, as driven by the strong uptrend of our business as well as favorable result of our effort in management cost, the Group's profit attributable to owners of the Company for the period increased by 40.1% from RMB29.3 million to RMB41.0 million.

Cash flow

Cash and cash equivalents increased by RMB71.8 million from RMB297.9 million as at 31 December 2015 to RMB369.7 million as at 30 June 2016.

Net cash of RMB85.3 million was generated from operating activities during the Period. Net cash used in investing activities amounted to RMB12.5 million during the Period, of which RMB16.8 million was related to the purchase of property, plant and equipment. Net cash used in financing activities amounted to RMB1.0 million for the Period, of which RMB1.3 million was related to repayment of bank loan.

Liquidity and Financial Resources

The Group's funding and treasury activities are managed and controlled by the senior management. The Group maintained cash and cash equivalents and time deposit, in aggregate, of RMB461.7 million as at 30 June 2016 (31 December 2015: RMB402.8 million). As at 30 June 2016, the Group's total assets, net current assets and net assets were RMB755.5 million (31 December 2015: RMB699.4 million), RMB218.1 million (31 December 2015: RMB202.9 million) and RMB427.5 million (31 December 2015: RMB421.7 million), respectively.

As at 30 June 2016, the Group had bank borrowings of RMB64.0 million (31 December 2015: RMB65.3 million). The gearing ratio (calculated as bank borrowings divided by total equity) was 15.0% as at 30 June 2016 (31 December 2015: 15.5%).

As at 30 June 2016, the current ratio (calculated as current assets divided by current liabilities) was 1.7 (31 December 2015: 1.7).

The directors are of the opinion that the Group has sufficient working capital for the Group's operations and expansion in the near future.

Foreign Currency Exposure

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB. The Group's cash and bank deposits were denominated mainly in RMB, with some denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group.

As at 30 June 2016, the directors considered the Group's foreign exchange risk to be insignificant. During the Period, the Group did not use any financial instruments for hedging purposes.

OUTLOOK AND PROSPECT

During the second half of 2015 and first half of 2016, based on our close observation and in-depth analysis of the macroeconomic conditions and business environment, the Group have engaged into a more proactive and bold strategy in exploring new markets, pursuing market expansion into new cities, and opening new restaurants at greater pace, while most other players had either suspended or delayed their business development schedules. Such approach shows that the Group has complete confidence in the prospect of the market and we firmly believe that, with our strong management capability and competency, we could reward our shareholders with further profit growth.

The Group focuses on the development of casual dining brands as an objective of 2016. Performance of both "Social Place" restaurants in Chengdu and Shenzhen has been satisfactory. In the second half of 2016, much effort will be dedicated to the preparation work for the expansion of this brand, with a view to further its momentum of development. A third restaurant in China, located in Shenzhen, has already been opened in July 2016. Operating performance of "Canton Tea Room" is also promising. The Group is well positioned to accelerate its business development. Currently, we are making all efforts to actively select store locations with suitable lease conditions and are preparing for the opening of new restaurants and recruiting staff. Other than business expansion, the Group will continue to advance its existing strategies that improve turnover, such as e-commerce, take away marketing and sales, small banquets, etc. The control and balance of cost and efficiency have always been one of the elements of success for the Group and will continue to be an ongoing priority of the management team.

In addition to proactive expansion of business by internal resources, the Group has always embraced the principal of diversification. We strived to explore markets by looking for strategic partnerships and cooperation with various experienced catering groups for years. As at 30 June 2016, the Group entered into a sale and purchase agreement with Dragon King Holdings Limited (龍皇控股有限公司) and its subsidiaries (collectively, the "**DK Group**"), pursuant to which relevant operating assets of 2 of the Chinese restaurants of the Group located in Hong Kong and Macau region will be disposed to the DK Group by stages. Currently, the Group is under negotiation with the DK Group regarding further cooperation in the future. The disposal and the strategic cooperation with the DK Group will enable both parties to strive their comparative advantages, and it will be beneficial to the Group's development.

In the second half of 2016, corporate sustainable development committee of the Group will work diligently on the compilation of information in relation to the relevant works of the Group over the years and make disclosure in accordance with the Listing Rules.

OTHER INFORMATION

Number and Remuneration of Employees

As at 30 June 2016, the Group had over 4,500 employees. 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.

Contingent Liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

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

Corporate Governance Code

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

Model Code For Securities Transactions By Directors of Listed Issuers (The "Model Code")

The Company has adopted its own code for securities transactions by directors on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries of all directors and all of the directors confirmed that they have complied with the required standards set out in the Model Code during the Period.

Audit Committee

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

Publication of Interim Results and Interim Report

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

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

Appreciation

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

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

Hong Kong, 25 August 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*